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# UNION POSTALE



Universal Postal Union,  
a specialized agency  
of the United Nations

JUNE 2014 / N°2

Postal regulation  
in Africa

Learning from the  
competition

ISSN 0041-7009



## RAQUEL wins customer hearts





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Cover: Davide Bonazzi

## DOHA POSTAL STRATEGY

Four goals for Posts to reach by 2016



**1** Improve networks



**2** Provide knowledge and expertise



**3** Promote innovation



**4** Foster sustainability

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## June 2014

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*Union Postale is the Universal Postal Union's flagship magazine, founded in 1875. It is published quarterly in seven languages and takes a closer look at UPU activities, featuring international news and developments from the postal sector.*

*The magazine regularly publishes well researched articles on topical issues facing the industry, as well as interviews with the sector's leading individuals. It is distributed widely to the UPU's 192 member countries, including thousands of decision-makers from governments and Posts, as well as other postal stakeholders. All regard it as an important source of information about the UPU and the postal sector at large.*

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346.5 billion

letters were posted worldwide in 2012.

## INFRASTRUCTURE

## Abidjan uni to house post office of the future



*Felix Houphouët-Boigny University's students will benefit (Photo: Serein)*

The Universal Postal Union and Côte d'Ivoire have announced plans to create a futuristic post office to provide 60,000 students at Abidjan University with state-of-the-art postal services.

Bruno Nabagné Kone, the Ivorian minister of post and information communication technologies, and Bishar A. Hussein, UPU director general, signed a declaration to this effect in April. "As part of our commitment to building a modern postal network on the African continent, the UPU and Côte d'Ivoire have expressed today their firm wish to work together on projects to develop postal services through innovative

solutions responding to client needs," said Hussein.

#### Sharing funds

The Felix Houphouët-Boigny University already houses a postal facility that will benefit from a complete re-haul. The UPU will contribute funds to this initiative. "I am pleased that this renovation will be the first project under the renewed collaboration between the UPU and Côte d'Ivoire," Hussein said. "We will equip this facility to ensure that students enjoy a top-class provision of postal services, ranging from the traditional to electronic."

According to the declaration: "The Ivorian State provides strong support to its designated postal operator through a programme of investment and modernization that permits quality postal services to be provided to all its citizens without exception."

#### Online

Indeed, electronic services are set to feature heavily at the new post office. Plans are on the cards to provide a cyber-café, electronic money transfers and the possibility of carrying out online purchases. **FM**

## Back to basics

As customer needs transform, the Post follows suit. This is why the focus of this issue is on quality of service and innovation. There is much talk of e-commerce and the boon it offers to the postal sector. There is no denying it: this is a real business opportunity in the making, with the potential to boost the bottom line of all Posts. But it comes at a price – to become the preferred deliverer of e-commerce packets and parcels, the network has to be fit for purpose.

And this is where a return to basics is needed that will ultimately enable customers to choose a designated operator over the private competition. And what could be more basic than focusing on quality of service? This is precisely how the Asia-Pacific region is squaring up to the millions of registered items generated by the e-commerce boom flowing through their part of the network. Our cover story shows how some 30 designated operators there are working together to keep the customer happy from end-to-end. And all this is due to RAQUEL, a system that interconnects Asian-Pacific operators, developed by members in the region for the region.

The focus on what the customer wants continues with a feature on the expectations online marketplaces have of their delivery partners. On the topic of getting items to their destination in new and innovative ways, another feature brings a new slant to the topic of drone delivery by looking at regulation, the human dimension and aerospace engineering. And for those of our readers interested in learning from the competition, the perspective column provides some fabulous insights into private integrators. **FARYAL MIRZA, EDITOR-IN-CHIEF**

### POSTAL FINANCIAL SERVICES

## Posts ready to exploit demand

To capture the potential for growing the market for postal financial services, Posts must be open, forward-looking and innovative. "While postal financial services have been around for more than a century, they can still provide a large revenue stream for Posts," said UPU Director General Bishar A. Hussein at a recent UPU forum organized in April.

He called on public postal operators to boost their bottom line through a business area that also brings many social benefits. "Postal financial services can facilitate national economic growth and financial inclusion, as well as alleviate poverty and provide a lifeline to many migrants," he said.

Pedro de Vasconcelos from the International Fund for Agricultural Development reminded attendees that the global remittance market was worth some 430 billion USD in 2013. "In the next five years, 2.5 trillion USD will go to countries in remittances... of which the rural share is 1 trillion USD," he said. "The postal

operators' market share might be small as there are a lot of players but there are still huge opportunities to be had," said de Vasconcelos.

### Private view

An insight into the private sector's take on remittances from migrants came from the International Association of Money Transfer Networks, a trade body. Its chair, Mohit Davar, said there was a huge market for remittances, driven purely by migrants. "There are 220 million migrants living and working overseas," said Davar. "However, informal remittances account for about 40 per cent of volumes."

Davar called for more harmonized regulation of the money-transfer market, as without this: "We will end up pushing flows into informal market and [no player in the market] wants that."

### Posts speak

The Kenyan Post shared its approach to financial services. On the one

hand, it handles government payment services. On the other, it is an agent for five commercial banks. "There was customer demand for this because of difficulties in sending and receiving money," said Enock Kinara, its CEO.

Alfred Mabika Mouyama from La Poste Gabon emphasized that public postal operators could rise to the customer challenge. "The post office is able to provide financial services, can develop partnerships both internationally and nationally and can listen to regulators, while supporting our governments to bring their services to the population," he said.

Summarizing discussions held during the forum, UPU Deputy Director General Pascal Clivaz said: "At the UPU level, we invite our member countries to renew the legislative framework and be open to partnerships, allowing the public postal sector to be major players in new financial services." **FM**



STRATEGY CONFERENCE 2014

## UPU-Côte d'Ivoire prepare for event

Preparations for the 2014 strategy conference are well underway with a programme focusing on innovation. The meeting will be held in Côte d'Ivoire's economic capital, Abidjan from October 14 – 15.

Discussions will focus on innovation, inclusion and integration within the postal sector. "The strategy conference is an important milestone in the UPU work cycle, bringing together decision-makers from

across the globe," said UPU Director General Bishar A. Hussein. "They will carefully consider how much recent progress has been made to modernize the single postal territory," he added.

### Taking stock

The UPU strategy conference is held midway between the meetings of Congress, the highest forum of the Union, to take stock of how well the



**UPU STRATEGY  
CONFERENCE**  
**ABIDJAN**  
**2014**

current world postal strategy is faring. More than 600 decision-makers from postal experts to government ministers from 192 UPU member countries are expected to attend.

UPU member countries adopted the latest Doha Postal Strategy at the last Congress in Qatar in 2012, which serves as the postal sector's roadmap for 2013–16. The 26th Universal Postal Congress will take place in 2016 in Istanbul, Turkey. **FM**



### FOR MORE INFORMATION:

<http://www.upu.int/en/the-upu/strategy-conference/about-strategy-conference.html>

SOCIAL INCLUSION

## Let Posts bring inclusion to rural areas

UPU Director General Bishar A. Hussein has strongly advocated for the public postal sector to help rural populations benefit from all manner of services through the postal network at the United Nations' Chief Executives Board of Coordination (CEB) meeting on May 8. "For this level of economic, financial and digital inclusion to happen, it is absolutely critical to strengthen infrastructure and the postal network at the local, national and international levels," Hussein told delegates.

Chaired by UN Secretary-General Ban Ki-moon, the CEB is the high-

est-level coordination forum of the UN system, gathering all heads of UN agencies.

For his part, Hussein stressed the importance of inter-agency collaboration to bring necessary services to citizens and welcomed the close collaboration the UPU enjoys with other UN or international agencies, such as the International Fund for Agricultural Development, the International Telecommunication Union and the International Organization for Migration.

The director general insisted in his intervention that the Post in rural areas should be modernized and

positioned as a hub of development and inclusion. "Electrification and internet connectivity of post offices are musts," he added.

Hussein concluded by saying that the UPU was examining how to further these twin aims for which the support of member countries, the UN system and other funding partners would be necessary to make them a success. **FM**

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NEW TECHNOLOGIES

## ITU and UPU renew ICT partnership



A PDA, like this one being used in Turkey, can improve quality of service (Photo: Emre Oktay/EPA/Keystone)

Leveraging new technologies to extend the reach of postal services and developing international standards for mobile payments will take centre stage in future work between the UPU and the International Telecommunication Union (ITU).

Director General Bishar A. Hussein and ITU Secretary General Hamadoun Touré signed a new memorandum of understanding to this effect at UPU headquarters in Berne, Switzerland, on March 26. "The UPU and ITU are working together to strengthen the capacity of our respective sectors to deliver quality postal services through bringing connectivity to post offices in developing and least developed countries," said Hussein.

Calling the two specialized agencies under the United Nations umbrella twin sisters, Hussein welcomed the opportunity to pool

resources. "This agreement comes at an opportune time as the UPU is already working hard towards increasing connectivity and electrification of post offices in rural areas in Africa to increase people's access to postal services."

### ICT net

With the lack of internet connectivity and access to a stable source of electricity often hampering the effective provision of postal services, the UPU-ITU initiative will explore new business models for post offices to better deliver services in rural and remote communities with help from information communications technology (ICT).

On the cards is a solution to connect post offices to the internet using satellite technology. This, in turn, should make it easier for Posts to play a wider role in bringing remittance

services to the community, as well as enabling government payments, such as social benefits, to reach citizens with ease on mobile devices.

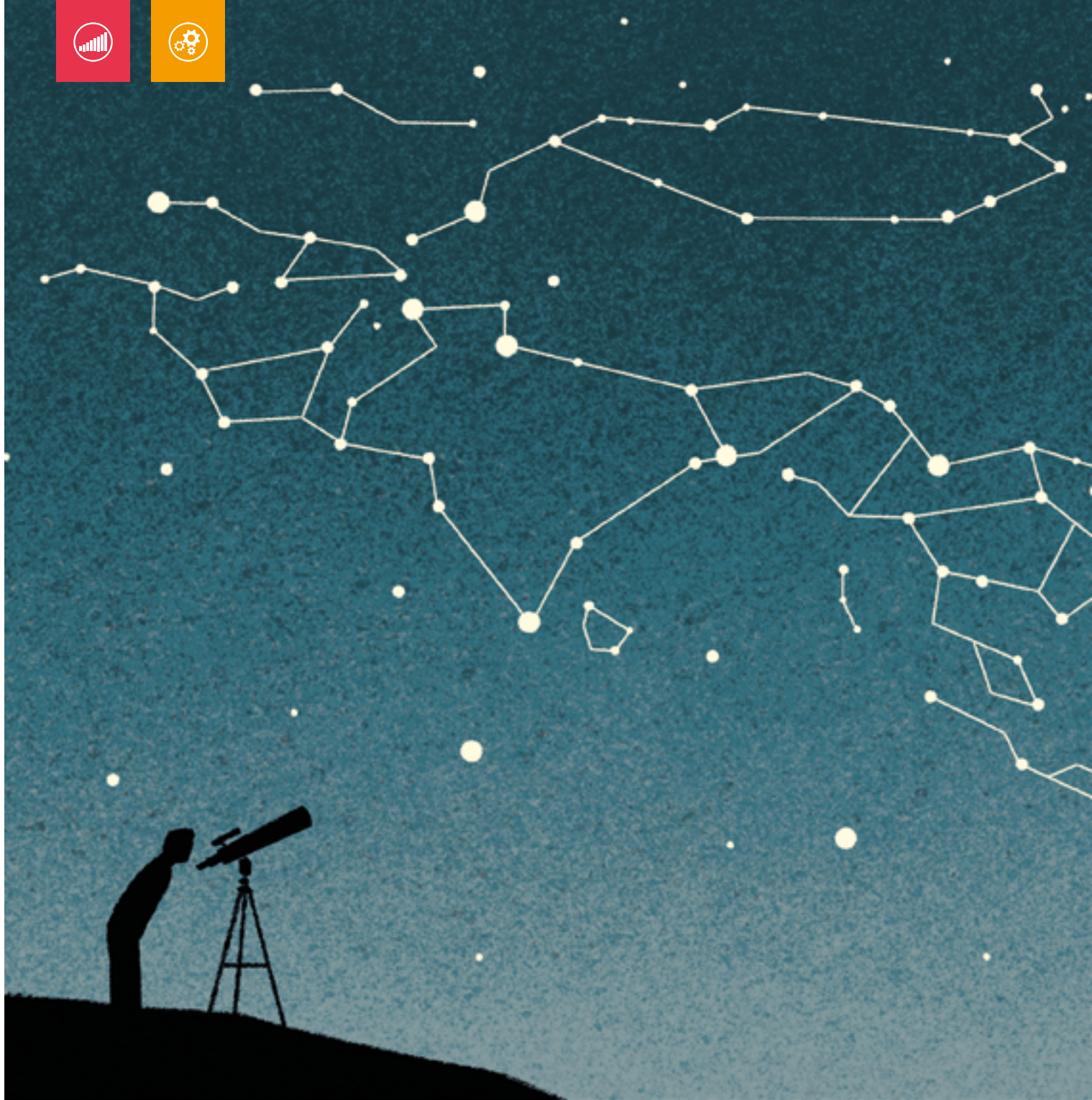
"This is a tremendous opportunity for two venerable institutions to step together boldly in the 21st century – and to make the world a better place for all citizens," said Touré.

### Pilot partners

Discussions are continuing on fleshing out the details of a potential pilot project in the field with technology partners from the private and non-profit sectors participating.

The new agreement replaces an older one signed in 2007, under which the UPU and ITU collaborated successfully to bring ICTs to the postal network in countries like India, Bhutan and Afghanistan and rural parts of the African continent. **FM**



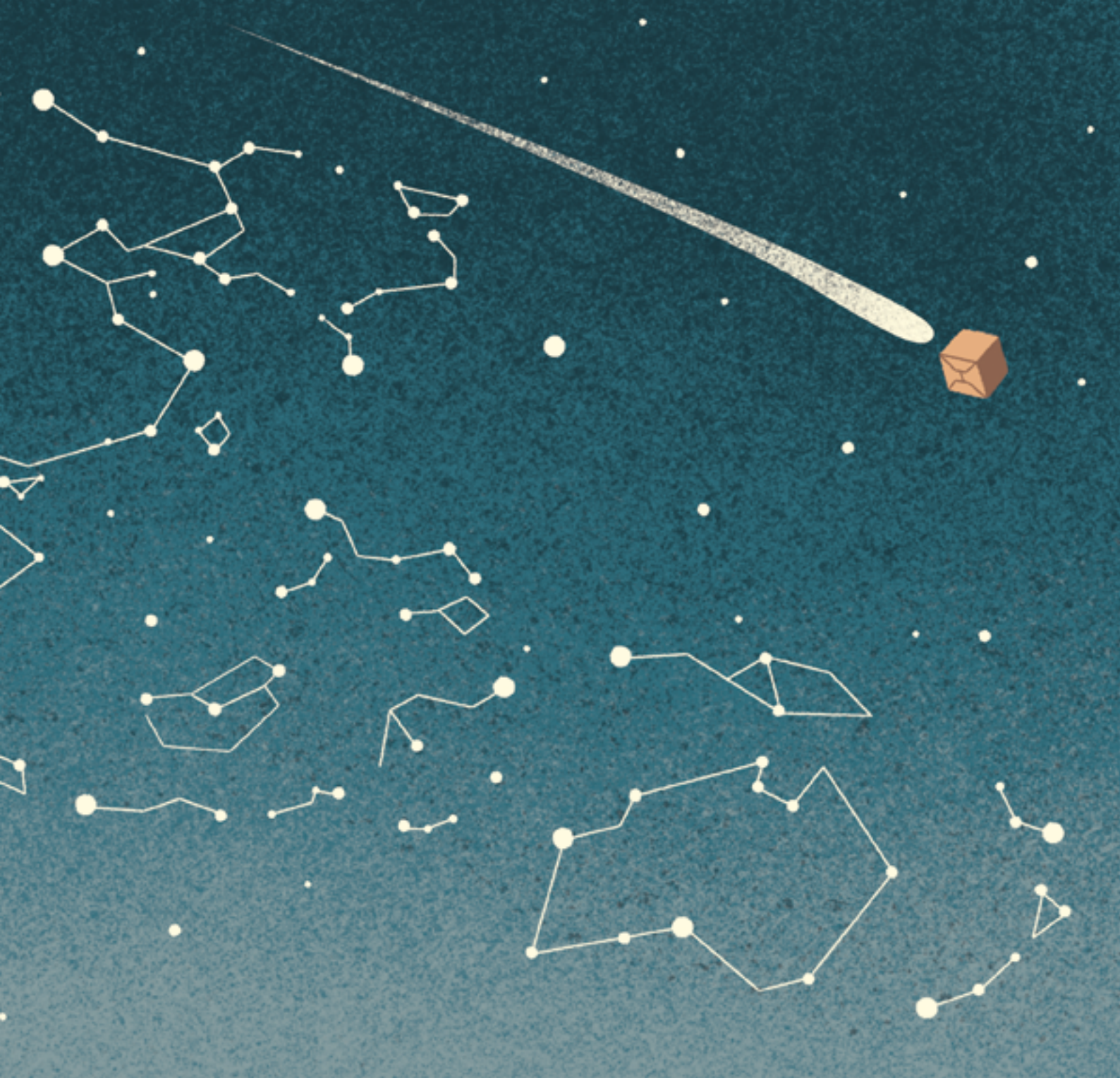


# RAQUEL wins customer hearts

**TEXT:**  
**DAVID**  
**KOCH**

Delivery services for registered items are being overhauled in the Asia-Pacific region, thanks to RAQUEL, a UPU initiative, as Posts strive to improve customer satisfaction and foster e-commerce.





*Illustrations: Davide Bonazzi*

Large volumes of items - including an ever-increasing tide of e-commerce goods - circulate internationally as registered mail items, a channel prized for its security and reliability. But until now, registered services in Asia-Pacific have lagged behind the trend towards comprehensive tracking. The regional Posts' response to this is the Registered Articles Quality Enhancement Lead (RAQUEL) project.

Across the region, nearly 30 Posts are using this combination of tracking system and online platform to manage customer inquiries. Since work began on the project - launched initially in 2011 at a meeting of the Asian-Pacific Postal Union in Ulaanbaatar, Mongolia - it has grown to include almost every designated operator in the

region. And Posts say that the registered service in Asia-Pacific is already showing signs of improvement, with all outgoing registered items now being scanned to enable the exchange of crucial data.

#### **Solid exchange**

The postal operators that launched RAQUEL set out three years ago to close a major gap in the registered service: the lack of international tracking data. "The quality of the small-packages service was wanting," says Chum Choi Han, chief operating officer for international business solutions at Pos Malaysia. "Visibility of registered articles is crucial to e-commerce customers whose goods are mostly delivered via the small packets' registered service."





Small packets are part of the letter-post stream and can weigh up to 2 kg.

Solid tracking starts when a postal worker prints a barcode for an item and scans it into the system at the sales counter. The data – or electronic data interchange (EDI) – from that item can then be exchanged internationally. For some Posts, this practice is already the norm. But the exchange of these EDI messages is not mandatory for registered articles, so many Posts forego the practice.

Without this data exchange, Posts cannot provide updates to customers about the status of their mail. That's a problem for Posts, especially since private couriers already offer this service, says Korea Post's Sook-Yeon Lee, on secondment at the UPU's directorate of economic and regulatory affairs. "If Posts want to compete in the delivery sector, that kind of EDI information is essential," says Sook-Yeon Lee, adding that customers paying a premium for registered service expect accessible track-and-trace data. "The customer also has the right to that kind of information."

### Pooling resources

Aware of the growing registered packet volumes driven by Asia's e-commerce boom, four Posts pooled their resources to improve the quality of the registered service in the region. They were Hongkong (China), Singapore, Malaysia and Korea. These Posts were already exchanging EDI messages when the project was launched. But, for their customers, the trail of data ended when registered items reached countries not sharing data. And postal operators lacked information about delivery performance in destination countries.

Hongkong was RAQUEL's largest donor, providing 500,000 USD from their credits in the UPU's Quality of Service Fund, which finances projects for improving international letter post. The territory is widely considered the gateway to mainland China's manufacturing sector and, as such, a regional e-commerce hub.

It's the explosion in online commerce centred in China that Posts are trying to harness as they develop their registered services. The project was a strategic move by donor Posts trying to realign their services

towards e-commerce. "Without quality improvement, Posts cannot survive nowadays," says Lee, who previously worked in international relations for Korea Post.

International registered mail is a growing business for Korea Post, with the most significant gains occurring in airmail. Dispatches nearly tripled between 2010 and 2012, reaching more than 3.1 million items. Arrivals by air grew by almost 20 per cent to more than 750,000 items. "The world is changing," says Lee, adding that customers now use the registered service mainly for shipping commercial goods. "The tracking information is more important to them than ever before," she said.

### Technical developments

Contributions by donor countries to RAQUEL covered the development of technical resources and the hiring of a consultant, Ajay Roy, who handled the training for participating Posts. As project manager, Roy organized a series of workshops and visited Posts to review their operations. "The first objective of the RAQUEL project was to ensure that every outgoing article has a barcode," says Roy. "If you don't have that, nothing will work." Once this essential practice was established, other processes followed.

Training provided to member countries was geared towards processes and techniques that many industrialized countries take for granted, says Hon Chew Lee, director of international affairs for Singapore Post. RAQUEL uses what he describes as a 'holistic approach', starting with the review of day-to-day operations and the introduction of online platforms. "It focuses on getting the basics right first," he says. Examples include the correct printing and scanning of barcodes on registered items.

The EDI messages generated in this way are exchanged with Posts through a system hosted by the Postal Technology Centre (PTC), the UPU's technical arm. It also incorporates an alert system, warning the RAQUEL project's national coordinator if the EDI messages have not been transmitted on a given day.

The Registered Article Inquiry System (RAIS) uses EDI messages to help Posts field customer inquiries, allowing certain postal staff to check the status of a delivery on





a customer's behalf. An online customer interface, which would allow customers to check on their item directly, is a possible future development, Roy says. "Customer care is an important element when we talk about total quality," says Akio Miyaji, the UPU's director of operations and technology. "Through RAIS, all participating postal operators swiftly exchange inquiries from the customers through an internet-based system and can respond to them as quickly as possible."

Another PTC-hosted tool, the Registered Article Measurement System (RAMS), enables the measurement of end-to-end service quality by Posts. The reports generated by RAMS - which are also based on EDI - include the number of days taken for the delivery of an item and the percentage of items scanned. "With this system, all participating postal operators can understand the status of their quality performance," says Miyaji.

#### **Early success**

When the project began, some countries were not consistently printing and scanning barcodes for outgoing registered items. Today, all countries involved in the project have an outgoing scan rate of 100 per cent, says Roy. Incoming scan rates of the RAQUEL countries, when

taken together, are above 90 per cent. Infrastructure problems usually account for the remaining deficiencies, Roy adds, noting that, among the countries with low scan rates, problems with internet connectivity and scanning equipment are among the culprits.

As for delivery standards, Posts participating in RAQUEL are free to set their own targets. "The target is set by each designated operator, taking into account their resources, infrastructure, capabilities and the expanse of the area covered for delivery," says Roy. Quality of service for these items is not currently linked to remuneration through a pay-for-performance scheme.

The review of internal operations and delivery standards is a key aspect of the project, says Chum Choi Han, who chairs the RAQUEL committee. "This is a very important step forward as quite a number of Posts in the region did not have any delivery standards for registered service before," says Han.

The review process helps Posts recognize factors contributing to poor service and to make the necessary changes, she adds. "All the Posts that participated in the project demonstrated an improvement in the quality of registered service, both domestically and internationally."



### Asia-Pacific and beyond

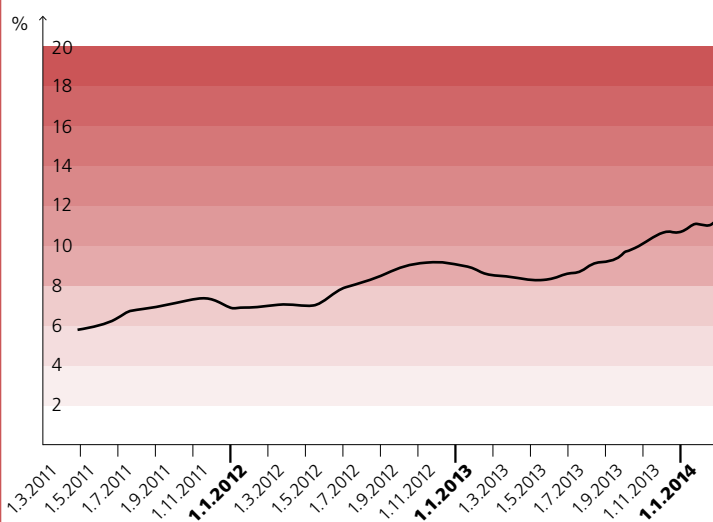
The number of designated operators taking part in the project has risen from 18 at its inception to 29, representing almost all Posts in the Asia-Pacific region. "We would like to exchange EDI with as many Posts as possible," says Han, stressing the importance of sustained improvements to service quality. "All our efforts must bring more value to the customers and improve the efficiency of the Post."

As the registered service improves in Asia-Pacific, the project could serve as a model for development in other parts of the globe. "The experience gained and the necessary tools developed by this project can be ultimately used on a global scale," Miyaji says. **DK**

### Posts participating in RAQUEL

Afghanistan, Bangladesh, Brunei Darussalam, Bhutan, Cambodia, China, Cook Islands, Fiji, Hongkong (China), Iran, Japan, Korea, Macau, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Papua New Guinea, Samoa, Singapore, Sri Lanka, Thailand, Tonga, Tuvalu, Vanuatu, Viet Nam

## Tracking international letter post



*Evolution of the % of total international letter-post items tracked during three years (Source: UPU)*









# Sharing makes world a better place

Hamadoun Touré, secretary-general of the International Telecommunication Union (ITU), was recently in Berne to speak about the agency's close bond with the UPU and how future work will cement that bond further.

**TEXT:**  
**FARYAL**  
**MIRZA**

**PHOTO:**  
**MANU**  
**FRIEDRICH**

*Union Postale:* Why is it crucial for the worlds of the ITU and UPU to collide?

Hamadoun Touré: This partnership has a very long tradition as our two organizations are the oldest in the United Nations family. The ITU dates back to 1865, the UPU to 1874. Posts and telecommunications in many countries were once under the same umbrella, therefore making it very easy for us to work together.

These two organizations are really complementary. The UPU is everywhere and is probably the organization with the large footprint in the world. There are some 640,000 post offices and, in most rural communities, the post office is the only means for people to communicate with the outside world.

The ITU is in the communication business, making sure there is enough spectrum available to communicate, ensuring satellites are connected and standards in place.

With the advance of digital communications, postal services have again become a real hub for connectivity. Therefore, we are very happy to be partnering with the UPU on many projects [see page 7].

*The ITU has a vision of building a knowledge society – what does this entail?*

This means that every citizen on this planet is not only connected but also can use the information provided. Being merely connected is not sufficient. Information is the only thing that, when shared, is multiplied because everyone having the same information will add to it and, therefore, the multiplier effect is tremendous.

Every citizen is both a source and creator of information. This knowledge society will bring many good things and make this world a better place.

We have to gather contributions from all organizations and companies. The UPU is already doing a lot by helping goods move around the world and helping people stay in touch.

We at the ITU are working with private and public sector to make sure broadband is available to all. Information communication technology (ICT) is the tool for outreach but it will never replace the medical practitioner or teacher for we are in a complementary world.

*How does the ITU as an intergovernmental agency bring in the private sector to help with its objectives?* Being the oldest member of the UN family, we kept the same concept as at the beginning of our history, where we also worked closely with the private sector. Today, it is the private sector doing research and development (R&D). The ITU creates standards through study groups where competing companies come with their R&D and we look at it together, see which direction it could take, what may bear some fruits very soon and we work on it further together.

At some point, we issue a recommendation (or standard) and the whole world adopts it. Then, we go back to the drawing board again and continue research at another level.

In fact, innovation always continues and the industry uses our standards, making systems interoperable.

This standardization work is very important because interoperability is needed. By 2020, there will be 50 billion connected devices and they all need to be interoperable. We are also working with the private sector to bring down costs and to make devices operate whenever someone moves from one country to another.

The UPU is aware that there are many threats to the postal sector, not least digital substitution of business mail, but what threats face the sector the ITU operates in?

Any new technology brings new threats to all of us. For the UPU, it has been a challenge since the creation of the telegraph; then came radio and the telefax. Now, with the internet, there is another threat. People at first thought that letters would disappear and that post offices would no longer be needed. But, at the end of the day, as we know with e-commerce, the delivery will be done by the postman. Postal services have been able to reinvent themselves as a physical hub in many rural areas. I am very pleased that the UPU has been able to reinvent itself too.

At the ITU, we have met some of our greatest challenges, including universal access – today we have over 7 billion mobile phones in the world. There are only 2.7 billion people connected to the internet. The challenge here is to ensure that the remaining two-thirds of the world's population have internet access and that, when they are connected, the networks are there so that they can communicate.

The ITU has to make sure that there is enough spectrum so that people are connected and are always on the move, and, therefore, mobile broadband will be one of the key enablers for that.

What other challenges lie ahead?

One challenge is to create standards that make broadband access easier and more affordable. The two-thirds of the world's population without internet access are mostly in developing and least developed countries, which means affordability should be key to bring them on board.

Another challenge is to create enough content. It is not about creating technology for technology's sake.

Therefore, creation of information is important and governments will play a key role in being the catalyst. The private sector also has a role to play and citizens too by creating their own information.

The next level is cyber-security. This is a real issue we are dealing with, making sure we bring enough trust and confidence to the use of ICTs. This is a very delicate subject because it is not only to do with technology but also requires policy and regulation.

As you near the end of your mandate, if you had to pick one thing that really made a difference to people in the world, what would it be?

I would choose broadband access. I have been challenging the world to have broadband available to everyone. We have met the digital revolution, bringing affordable mobile communication to every corner of the world. The foundations we have put down for broadband access will avoid a new digital gap.

The ITU is a place where countries of different backgrounds come and work together and this has been a long tradition reinforced over the years. I am proud of the trust the private sector has in the ITU, with 700 private companies as members working hand in hand with member countries and their own competitors. **FM**

### **The ITU**

ITU was established in Paris 1865 on May 17, now celebrated as World Telecommunication and Information Society Day. In 1868, member countries decided its secretariat would be located in Berne, Switzerland, where the UPU was set up some six years later. In 1948, the secretariat moved to Geneva, its current location.

Dr Hamadoun Touré is ITU secretary-general. The Malian national is an engineer by training and worked in the satellite industry. He speaks English, French, Russian and Spanish. As secretary-general, he is committed to ITU's mission of connecting the world, and to helping achieve the UN Millennium Development Goals through leveraging the unique potential of ICTs.



# Tomorrow's reality or pie in the sky?

In the space of a few months, delivery drones have jumped from the pages of science-fiction fantasy onto the radar screens of postal operators, e-commerce players and courier companies around the world.

TEXT:  
CATHERINE  
MCLEAN

Last year, Deutsche Post DHL flew a yellow-coloured drone carrying a box of medicine over the River Rhine in Bonn, showcasing a technology that could one day be used to deliver small packages and perhaps even replace postal delivery staff one day. A few months later, Amazon, the world's largest online retailer, unveiled its "octocopter" drones that it hopes will start delivering books and other goods to customers within five years.

The concept sounds intriguing as online retailers, couriers and postal operators are under significant pressure to deliver goods ordered online in the shortest time possible. Amazon reckons that its drones could deliver a package in less than 30 minutes, an impressive timeframe considering that consumers increasingly want to receive their online goods right away.

Nevertheless, drones face a wide array of hurdles – financial, technical and legal, among others – before they can take flight, experts say. They also hint that the spotlight on drones has more to do with wishful thinking and media attention than concrete business plans. "I'll remain sceptical of widespread robotic aircraft use for parcel delivery," says Timothy Takahashi, professor of practice in aerospace engineering at Arizona State University's School for Engineering of Matter, Transport and Energy. "I believe Amazon is getting ahead of itself."

## Reality

Such scepticism has not stopped Amazon and others from sharing their drone visions with the world. Amazon's website features a video of its *Prime Air*. The drone takes off from an Amazon warehouse, flies over green fields and lands outside the customer's home to drop off the package, containing a tool. This type of drone would not be piloted remotely but programmed with GPS

coordinates, Jeff Bezos, Amazon chief executive officer, told *60 Minutes*, the American news programme, a few months ago. "It looks like science fiction but it's real," Amazon explains on its website. "One day, *Prime Air* vehicles will be as normal as seeing mail trucks on the road today."

Others appear less convinced that drones would take over package delivery soon. Deutsche Post DHL's recent trial was part of a project studying the use of drones for medicine and other 'urgent' deliveries in more challenging geographic areas, such as islands, according to Dunja Kuhlmann, its spokeswoman. "We do not have specific plans to use the *parcelcopter* in our regular parcel delivery operations at present," she adds.

As for how the research is being conducted, Kuhlmann underlines that her firm is not developing the drones itself but is working with companies already active in this field. "There is a team of specialists evaluating various aspects of the current copter-technology for our parcel business," she adds.

## New wave

Are the likes of FedEx also considering this technology? Shea Leordeanu, FedEx spokeswoman, says that the company is always interested in new technology to better serve its customers. "While we can't speculate about this particular technology, I can say that making every customer experience outstanding is our priority, and anything we do from a technology standpoint will be with that in mind," she says.

Drones, which go by many names, including unmanned aerial vehicles and remotely piloted aircraft, were until recently synonymous with the military, viewed as a tool used in the battle-field to deal deathly blows rather than





The DHL drone trial in action (Photo: U. Baumgarten/Getty Images)

deliver a box of chocolates to a doorstep. Drones are also used around the world for a growing variety of purposes, including patrolling borders, collecting intelligence and conducting scientific research.

But drones are now stealthily advancing into the civilian realm. Firms are racing to post their drone delivery attempts on YouTube. Dominos Pizza last year sent one of its pizzas by drone or DomiCopter. A French online champagne retailer recently delivered a bottle of champagne via drone to a bar in the Swiss Alps. And a brewery in the US recently hit the headlines when it posted a video of beer sent to ice fishermen via drone. The US Federal Aviation Authority (FAA) then grounded the brewer's drone as such commercial deliveries are currently not permitted. Other products being touted for drone delivery include sushi and textbooks.

#### High barriers

But conducting tests and posting videos are easy, whereas the deployment of drones for commercial deliveries faces substantial hurdles. A big challenge will be persuading national aviation authorities to allow such flights. "The hardest challenge in making this happen is demonstrating to the standards of the FAA that this is a safe thing to do," Bezos told *60 Minutes*. The FAA is slated to set rules for the commercial use of drones by 2015. And the International Civil Aviation Organization (ICAO) is focusing on how remotely piloted aircraft can

meet safety standards and not put people or other aircraft at risk, according to Anthony Philbin, its head of communications.

Technological improvements will be critical to ensure the reliability and safety required by aviation authorities. A quadcopter - the drone typically used for these commercial demonstrations - would struggle amid strong winds and could lose its fuel or electrical charge, according to Professor Takahashi (see side interview).

Other technical and safety wrinkles could include software going awry or drones coming under attack from humans. Companies have to ensure that their drones are not going to fall out of the sky and burst into flames, sending people scrambling for cover. "The operational reliability of small model aircraft and even large robotic aircraft has yet to compete with the safety record that piloted commercial aircraft have enjoyed since the 1940s," says Takahashi.

#### More the merrier

While the demos from Amazon and Deutsche Post DHL have apparently gone off without a hitch, things will get a lot more difficult when more drones are buzzing about in the sky, according to Richard Wishart, CEO of Delivery Management, a company that advises firms on identification and tracking technologies. He compares the current drone trials to the early days of cars, when one could drive down an empty street without worrying about a

crash. "When it becomes a mass means of delivery," Wishart says. "There are some big problems that come when you upscale."

Questions have also been raised about the commercial viability of drone deliveries. Battery power is limited, so drones will only have a delivery radius of a few miles, according to Takahashi. Unlike the mailman, a drone will not be able to make multiple deliveries at once. Instead, the drone will have to make a round trip each time, picking up a parcel at the depot, flying to a house and then flying back.

Another pressing issue concerns service. How will drones using GPS coordinates know where to find the house's front door? How will drones alert recipients that the package has arrived? What will happen if no one is home? Wishart says firms will have to ensure that they give detailed delivery instructions to the drones or disaster could ensue. "Maybe the drone just drops the package on the driveway during the day," Wishart says, describing one of ways a drone delivery could go wrong. "I drive home at night and smash the package."

### Human touch

There is also no guarantee that consumers will embrace drone delivery. Unlike the mailman's familiar face, drones are anonymous. Stephen De Matteo, head of post and logistics at UNI Global Union, believes that delivery by drone is a long way off. "The human element is something people place a lot of premium on. There have been a number of studies in the US and Europe in particular that [reveal] people place a lot of trust in their letter carrier," De Matteo says. "In the US, the mailwoman or the mailman is... the face of the federal government for many people and... the most trusted institutional representative," he adds.

In this age of high-tech surveillance, consumers may also be wary of a drone flying by. "People are slowly becoming more cognisant of what information technology can mean," De Matteo added. "In terms of collecting private information, I think there's a lot of hesitancy on the side of consumers to have little machines buzzing around their homes and taking pictures."

### Facing the future

But De Matteo recognizes that postal operators cannot afford to ignore drones and other developing technologies that could disrupt the postal sector. "We can't be luddites and say we are going to stop the progress of technology," De Matteo said. "Posts need to take that developing technology in the same vein as they do others and say the situation has changed but we still have a tremendous set of assets. How do we leverage them to be relevant and to provide important services to the community and business customers?"

Indeed, numerous technological innovations during the past two decades have shaken up the postal sector and letter carriers with it. "The simple reality is that, with the decline in letter volumes, the reality of the job has changed," said De Matteo. "That can mean longer routes and less time in the back office sorting. It has displaced a lot of workers, who were in sorting centres before."

Emails and mobile-phone messaging have negatively impacted letter volumes in many parts of the world, while the explosion of e-commerce has resulted in a big surge in package delivery and increasing competition from integrators. "If a delivery company is not thinking about technological innovation nowadays, they will be very quickly taken over by the competition," Wishart warns, who adds that drones are an extreme example of that trend.

For now, those employed in the postal sector say they are not overly worried about drones sweeping in and stealing their jobs. Stephan Teuscher from Germany's ver.di union personally saw Deutsche Post DHL's drone experiment and came away less than impressed. The *parcelcopter*, steered by remote control, reminded him more of a toy model plane than a serious competitor to postal workers. "I think it's all a PR gig," Teuscher said. "I had the impression that someone was flying a model airplane rather than that someone was using a professional means of transport." **CM**

## The aeronautical view

*Timothy Takahashi, a professor of practice in aerospace engineering at Arizona State University's School for Engineering of Matter, Transport and Energy, is sceptical that parcel deliveries by drone will become the norm anytime soon.*

### Union Postale: Has the time arrived for commercial drones?

Large unmanned military systems, like the Global Hawk, Predator and Reaper, are remotely piloted aircraft. Similarly, most small drones are glorified model airplanes and are similarly remotely piloted. Amazon's vision is to use nearly autonomous robotic flying machines for package delivery. There is a big difference between having a trained human pilot (even if hundreds of feet or thousands of miles away) flying an aircraft and an autonomous algorithm.

The most major difference is situational awareness. The remote pilot interacts with the aircraft in something approaching real time, whereas nearly all operational decision-making needs to be contained on the special delivery drone.

### From a technological perspective, what are the limitations to widespread adoption of robotic aircraft for package delivery?

There are a number of major technological roadblocks. The range and endurance of battery powered electric drones are measured in minutes, not hours. This would limit a delivery radius from a bricks-and-mortar depot to a potential customer to a few miles. A fossil-fuel powered drone could have reasonable range and endurance but presents a much greater maintenance headache to the operator. A package delivery drone powered by four chainsaw engines would be noisy, smelly and create a real fire hazard in the event of a crash landing.

### Are there other conditions to worry about?

Real world weather is highly variable: steady winds of 25 knots are not uncommon, as are gusting winds of +/- 25 knots. A quadcopter (the preferred drone for these demo flights) lacks the speed to make headway against strong winds. It could likely run out of electrical charge or fuel on a delivery mission. A small fixed wing aircraft will require a runway to operate, clearly limiting its utility.

Neither a quadcopter nor an aircraft is truly stable. While the skilled engineer may make the drone passively stable in pitch, yaw and roll, flying machines have no inherent physical reason to stay upright. Hence, they must be actively controlled at all times, especially when flying in turbulent winds. The smaller and slower the flying machine is, the more it is upset by gusting wind.

### What about the issue of costs?

The actual cost of commercial drone operation will need to account for both acquisition, fuel and a skilled operations and maintenance team. In the US, Canada and the European Union, commercial aircraft and potentially a package delivery drone must be maintained and operated by government certified personnel. These jobs are historically higher wage positions than letter carriers. The actual cost of operation under such a scenario will be high. Imagine the cost of mailing a letter if each letter carrier hand-delivered each parcel and then returned to base.

### How safe and reliable are the current version of drones for commercial applications?

Even complex, expensive military systems like the Global Hawk suffer from a much higher accident rate than piloted commercial aircraft. Some of this has to do with the differences in the way remote pilots interact with the airplane. For example, there is no "seat of the pants" feel as the drone encounters turbulence.

Smaller military systems are designed to be nearly disposable under combat situations. And certainly, a visitor to a model aircraft flying field will likely witness at least one crash on any given day. The operational reliability of small model aircraft and even large robotic aircraft has yet to compete with the safety record that piloted commercial aircraft have enjoyed since the 1940s.

Although battery-powered drones pose less of a fire hazard than fossil-fueled drones, I refer you to a video [see link below]. In this footage, the electric powered model airplane crashes after flying in gusty winds (clear air, no storm) and burns (see 2"30'). You really need situational awareness when flying (particularly in uncontrolled commercial airspace – i.e. above 500-ft under "VFR" conditions).

### How do you believe drone delivery will work in the future?

I can see it being used for limited high-publicity events – such as enabling parachute delivery of beer and pizza at the Superbowl stadium but I remain sceptical of widespread robotic aircraft use for parcel delivery.

I do foresee a time when a DHL, a FedEx or a UPS flies a larger robotic cargo aircraft from runway to runway. Present package delivery companies use aircraft as large as a 747 and as small as a Cessna 208. FedEx flies 40 Cessna 208s.

I can see a remotely piloted 208 replacement having genuine commercial potential. Presently, you have the human element with the pilot restricting operations. If you had a large fleet of remotely piloted "feeder" aircraft, you could have pilots fly aircraft on an as-needed basis. Today, if you fly an aircraft one-way and have it bivouac for a period of time before flying to its next destination, you need to feed and house the pilot during the interim! **CM**



**WATCH THIS (AIR)SPACE:**

[www.youtube.com/watch?v=ekqRDbl7t3Y](http://www.youtube.com/watch?v=ekqRDbl7t3Y)





# Online retailers send strong message

Businesses at the heart of the ongoing e-commerce boom see postal operators as key partners. And they want Posts to deliver goods to consumers faster and with less hassle.

**TEXT:  
DAVID  
KOCH**

Companies operating online marketplaces, based in places as disparate as Hangzhou, Lagos and Brooklyn, are all asking Posts to help them meet customer demands. In April, that demand was met by a new resolution by the Postal Operations Council (POC), urging the UPU to play its part in speeding up e-commerce activities. Ongoing UPU initiatives include a returns system for cross-border items and streamlined relations with customs authorities.

## **Retooling things**

It's a sign of the pressure affecting the global postal sector in a rapidly shifting commercial landscape - and the commitment of Posts to keep up with the pace of change. If mail carriers can adapt swiftly to the needs of this market, they stand to prosper, said John Spelich, an executive with Alibaba, the Chinese e-commerce giant.

Sales through Alibaba's online platforms last year amounted to more than 248 billion USD, eclipsing US-based counterparts like Amazon, which reported 75.7 billion USD in sales. The group's cross-border sales, conducted mainly through the AliExpress marketplace, were worth 2 billion USD alone, according to Spelich. The company boasts a network of 231 million active vendors. Together, those vendors dealt with customers in nearly every country in the world in 2013, according to documents filed by Alibaba at the United States Securities and Exchange Commission in May.

Growing volumes of small parcels have tested the limits of certain cross-border postal routes, with limited resources in Customs offices contributing to bottlenecks. That's a problem that Alibaba wants Posts to help resolve. "System integration between Customs and postal agencies can introduce greater transparency and better information-sharing that will bring about improvements in efficacy for both parties," Spelich told *Union Postale*.

Registered shipping for international items should also be integrated globally, so that customers can better track their purchases, Spelich said, adding that this popular registered service should be cheaper - and that Posts take responsibility for lost items. "We would really welcome greater consistency and completeness in tracking information across all destinations for international registered parcel shipping, as well as uniform standards for reasonable compensation for lost parcels," said Spelich, who is Alibaba's vice-president for international e-commerce and business development.

## **Easy returns**

A global solution allowing customers to return international items is another feature that Spelich described as crucial to the growth of e-commerce. "Easy product return is essential because it functions as a merchant guarantee on product quality that will give consumers

peace of mind," he said. By standardizing the returns process, Posts would boost the confidence of reluctant online shoppers, he added. "For cross-border online retail, one of the biggest deterrents for consumers considering purchases are concerns about the complexity of the returning process, specifically on the cost of shipping returns and taxation burdens in the absence of a real purchase," revealed Spelich.

What else can Posts do to foster e-commerce? "The availability of different delivery time slots and the option to choose between them is something retail customers look for," said Spelich. "Consumers shopping through e-commerce are more demanding in the variety and quality of shipping service, as shipping has become an integral aspect of the retail experience."

#### Postal advantage

Etsy is another growing global online marketplace with 30 million buyers and sellers, generating 135 billion USD in sales in 2012. It specializes in handicrafts, vintage wares and craft supplies. Its experience with designated operators shipping goods has got off to a good start. "The national Post is the best carrier for dealing with small entrepreneurs," said Eric Fixler, director of shipping programmes. "They generally provide the best rates," he said, adding that vendors tend to also be familiar with the designated operator.

Postal operators already handle deliveries for 95 per cent of all Etsy sellers, said Fixler, who called Posts "the best point of entry for those people's packages".

In April, the company launched a service for Canadian sellers, allowing them to buy and print Canada Post shipping labels through the Etsy platform, including postage for international items. Most of these shipping labels are discounted from their normal price, according to Etsy. A survey of Canadian sellers revealed that 98 percent use Canada Post for domestic shipping, while 96 percent use the Post to ship items internationally.

A similar shipping label service has been available for Etsy's US vendors since 2012 but only for the domestic service. In a blog post, the company said it aims to start offering these labels for international items in the future. "Cross-border shipping is important," said Fixler. "I think it would be empowering to those sellers if we could make the process better and faster."

#### Growing in Africa

In Africa, the Post is also being called to adapt to the rise of e-commerce in Nigeria, where online marketplaces have been gaining steam. Although poverty and unemployment remain widespread, rapid economic growth has made its domestic market an attractive prospect for online retailers. Gross domestic product or GDP growth reached an average of 7.6 percent from 2003 to 2010 and the World Bank says the country is now "poised to build a prosperous economy" and "significantly reduce poverty".

But, to foster e-commerce domestically, the country's postal operator should expand its logistics infrastructure outside of the main urban centres of Lagos, Port Harcourt and Abuja, said Sim Shagaya, CEO of Konga.com, a local online retailer. Otherwise, e-commerce in Nigeria will be confined to those three cities, places that Shagaya expects will decline in economic importance as other Nigerian cities grow. "We want to serve every Nigerian, everywhere, no matter whether they're in a big city or a village," he said.

Since its 2012 launch, Konga has emerged as one of the key players in Nigeria's e-commerce marketplace. Its chief rival is Jumia, a venture of the Berlin-based multinational Rocket International. While a Konga spokesperson wouldn't disclose sales figures, she described the company's growth as "exponential and steady", adding that sales volumes will be a "positive multiple of last years". "What we have to do is work together with government enterprises [like the Post] to tell them how and where to invest and how to get ready for the new e-commerce future," Shagaya said. A company spokesperson added that the investments were needed in logistics and IT infrastructure. The political will in Nigeria for e-commerce is strong, according to Shagaya. "They understand that the postal service is getting disrupted by the internet," he said. "But at the same time, the parcel business is growing," he said.

#### Ease and convenience

Consumers are also expecting Posts to make their services more convenient with more flexible delivery options, track and trace features and easy returns. "Customers want to be in control," said Susanne Czech, secretary general of EMOTA, an association of European



UPU E-COMMERCE FORUM:

<http://news.upu.int/multimedia/videos/e-commerce-forum/>

e-commerce businesses, based in Brussels, Belgium. "For instance, parcel lockers are an alternative or they want to buy online and have the possibility to pick up at their convenience at the nearest store," she said. "Consumers expect ease and convenience."

The European e-commerce sales were worth an estimated 350 billion EUR (481.5 billion USD) last year, according to EMOTA. The group is expecting rapid growth to continue, especially in international sales. Postal operators are beginning to respond to the challenge, said Czech. "There is room for innovation and flexibility but I think postal operators are quite aware of that and are making a lot of effort."

#### Challenging traditions

The time has come for Posts to abandon old habits if they wish to adapt to these new economic realities, said Jan Sertons, head of international relations at PostNL, the designated operator for the Netherlands. "We have to work very hard to improve and provide what the market

demands from us," said Sertons. "And the market is the senders and receivers of e-commerce items."

Those customers expect the Posts to adapt immediately, and this means challenging old structures within postal operators, he added, pointing to the UPU distinction between parcels and packets. "The customer wants to receive a box and doesn't care whether it's a packet or a parcel," he said. "For postal operators, that is a difficulty to overcome, but we have to do it. We have to make it simple."

Brazil's Alex Nascimento, chair of the e-commerce group under the POC's Committee 4 on electronic services, underlined that no logistics company was better placed than the Post. He added that there was no time to lose. "Customers say to the Post: 'I trust you, but I need better information, better delivery options, better prices.' They know we are capable of handling logistics operations, but they are also saying: 'We need more than that, and we need it as fast as possible'," said Nascimento. **DK**

## UPU moves

In March, more than 200 delegates attended an e-commerce forum hosted by the UPU, which considered how Posts could better exploit the growth of online shopping. Speakers ran the gamut from heads of United Nations and other intergovernmental agencies, as well as representatives from online marketplaces and postal operators.

A few days later, at April's POC, participants were unanimous that postal services need to be faster and to respond better to customer needs to benefit fully from surges in parcels generated by e-commerce. "E-commerce needs networks that are efficient, intelligent and secure, and that requires the cooperation of all stakeholders," said UPU Director General Bishar A. Hussein. "And the postal network is the network of networks."

He also recognized the challenges associated with the cross-border exchange of goods and the importance of reducing trade and operational barriers. "We need to provide quality service, speed, trust, security and reliability," Hussein said. But the postal sector would need help from other stakeholders to achieve these goals, such as Customs authorities.

POC members also approved a user guide for a new service, enabling consumers to easily return merchandise ordered online from other countries. The service is expected to go live this year.

The product strategy and integration group has plans to develop an e-commerce solution for packages weighing between 0-30 kilogrammes, featuring tracking, customer service and customs pre-advice features. **FM**





# The competition never sleeps

Since the 2009 worldwide recession, demand for air commerce has declined or shifted downward - from overnight express to 2/3-day deferred; from deferred air to airfreight; from airfreight to surface freight. Nonetheless, consumers' demand for instant gratification, and for shipping that meets this standard, has never been higher.

TEXT:  
MARK S.  
SCHOEMAN

Declining demand is a familiar business-cycle result that ebbs and flows with the global economy. The second, more transformative trend, is mostly attributable to the phenomenal growth of e-commerce and online merchandising. In an otherwise flat market, the growth of e-commerce has caused a boom in demand for business-to-consumer or B2C delivery.

This growth, in turn, is being driven by the near-exponential growth in internet access and mobile, web-enabled devices, and the 'Gold Rush' of device and app developers, entrepreneurs and merchants seeking to capitalize on the avalanche of new opportunities. The information age in which we live has given the individual unprecedented power – as social commentators, activists, political players and most definitely as consumers.

## Competitor solutions

At integrated giants like UPS, FedEx and DHL, information technology has long played an important role in the development of air express and their relationship with shippers. Responding to the growth of e-commerce, the major integrated carriers have been moving aggressively to offer customers an ever-widening array of services tailored to e-commerce shippers and consumers. Today, the power of info tech is transforming the carriers' relationships with merchants and consumers.

In 2011, UPS introduced *MyChoice*, enabling 'members' to control certain aspects of the routing and delivery of their packages, e.g., rescheduling the delivery date, altering the delivery address or holding for pick-up. Over the intervening years, it has enhanced *MyChoice*'s capabilities and brought new technologies to bear to enhance the role of the consignee, the final consumer. For example, *Project ORION*, an innovation designed to optimize the routing efficiency of UPS's vast fleet of delivery vans, is being repurposed to provide consumers more control over their incoming packages: accurate real-time information on where packages are, more precise delivery windows, and the ability to alter where and when deliveries are made.

FedEx offers a similar service, *Delivery Manager*, albeit without the membership-fee requirement. These are more than the latest examples of the mushrooming of value-added fees in the integrated carriers' service portfolios. They are also shrewd strategies for controlling costs – eliminating, for example, the need for labour-intensive calls to customer service or even costlier delivery re-attempts.

## Big, social data

But there is something even more profound occurring here that will have significant repercussions for all carriers,

## Digital concierge process



1

Register for a free  
international shipping  
address



2

Shop on your  
favorite American and  
European websites



3

Get all your parcels  
delivered to your  
international shipping  
address



4

Consolidate your  
parcels and have them  
shipped to you

not least of which are postal operators. In this era of big data, online businesses mine databases not only to forecast buying trends but also to personalize the shopping experience and better engage and convert new customers. In the future, competition between logistics providers will favour those who empower their customers, providing them with more control over their fulfillment and delivery needs.

In addition to providing value-added services, *MyChoice* and *Delivery Manager*, like many branding efforts in the social-media age, foster a sense of community among like-minded people – i.e. online shoppers – to strengthen the bond between such communities and specific brands, such as UPS and FedEx. This communal feeling is reinforced by the empowerment of loyal customers. Instead of being passive receivers of packages, *MyChoice* members are actively engaged throughout the purchase/supply-chain cycle – choosing from among many online sources for the right product/price combination; choosing the carrier and level of service; and even proactively fine-tuning the method and means of distribution and delivery.

On social-media sites like Facebook and Twitter, UPS and FedEx enable customers to communicate with each other and interact with the company in ways that reinforce brand identification. And, just like e-commerce in

general, this increased access and empowerment is going mobile - via smartphone apps that give customers tools to manage every aspect of their lives, including shopping and shipping, with a few clicks. In the future being mobile-friendly will be critical to e-commerce competitiveness generally; and for managing the shipping and delivery of e-tail shipments specifically.

To be more competitive, brick-and-mortar retail enterprises are exploring new ways to leverage their existing distribution networks to provide a more consumer-centric, responsive positioning and fulfillment of demand for their products. Omnichannel marketing, for example, coordinates the consumer's several 'views' of a product – catalogue, online, in-store, mobile device – into a single customer-brand experience. The full realization of this vision links distribution warehouses and retail stores into a more responsive, immediate fulfillment network than what pure-play online merchants like Amazon.com or eBay provide.

### International e-commerce

While the facilitation of e-commerce is proceeding apace within the borders of many advanced economies, trans-border e-commerce remains in the wilderness. There are, however, signs that this is changing. Companies like UPS, DHL, Globalmail and Borderfree have been instrumental



## “The opportunity is there for Posts to become more engaged in this brave new world.”

in developing online platforms that address such obstacles as the high cost of shipping, currency conversion, duties and taxes, security and fraud protection and returns - issues which have long hindered the development of international e-commerce. UPS's *Global e-Commerce Solution* provides online merchants a suite of tools that can convert prices into a shopper's local currency, calculate total landed cost – including duties and taxes – provide payment security and provide shipment tracking, notification and control mechanisms.

Another innovation in international e-commerce that more directly addresses the needs of consumers is the emergence of so-called 'digital concierges' – such as Shop and Ship, Borderlinx and BoxHop - that provide shoppers located in international markets the means to obtain goods from merchants that do not have a local presence near shoppers. Specifically, an individual shopper signs up with the digital concierge entity, in which he or she is assigned a domestic address, such as a warehouse location or 'post box' – a physical address to which online purchases are sent within the domestic boundaries of the origin country before consolidated for export to the shoppers. Digital concierges provide customers a range of shipping services similar to those provided by UPS, FedEx and DHL, including document preparation, inspection for damage, tracking, payment security and returns.

In addition, many digital concierges have moved beyond simple facilitation of international shipping to providing shopping assistance – identifying the best price, coupons, discounts and free shipping. Again, the idea is to 'lock-in the customer' by co-opting them into a 'partnership' which affords them increasing control in return for greater brand loyalty.

### Effect on postal operators

The trends driving demand in this direction play to the strengths of Posts: no other providers have the infrastructure to make daily deliveries to every business and residential address, the retail presence enjoyed by Posts,

or own as many mailbox facilities; no other brand is as familiar and as trusted as postal operators in most countries; and no other provider has a one-to-one relationship - a postal address - with every single consumer.

In fact, some Posts are already moving to establish partnerships to move packages within other countries' domestic markets to feed a pipeline that ultimately injects traffic into their own last-mile delivery network. Once a digital concierge achieves a critical mass of shipment volume, it is more likely to forego the use of integrators and make its own arrangements for on-movement: line-haul, clearance and last-mile delivery in the destination country. And figuring prominently in such delivery, especially to residential addresses, in most countries is the local postal operator.

The opportunity is there for Posts to become more engaged in this brave new world – in fact, the players currently engaged in it are exploiting gaps that Posts either do not fill or are not exploiting. That being said, some Posts lag behind other competitors in terms of applied information technology and the capabilities it affords. In order to fully realize the potential of these opportunities, postal operators need to harness technology and develop plans that make their services more accessible to consignees, and be more nimble in recognizing and capitalizing on trends before they happen. **MS**

*Mark S. Schoeman is CEO of the Colography Group.*

### THE COLOGRAPHY GROUP

Based in the United States, the company delivers primary research, strategic planning and new programme development services to businesses looking to identify and capitalize on growth opportunities in the global time-definite, or expedited, cargo market. It extracts market intelligence, which clients use to effectively plan their transportation strategies.



# How to free the flow of goods



Mikuriya favours strong relations with the Post (Photo: Manu Friedrich)

While Postal Operations Council members may have passed a resolution to inject speed into dealing with parcels generated by the e-commerce boom, Posts will also have to work more closely with Customs to really smooth the passage of goods. Kunio Mikuriya, secretary general of the World Customs Organization, is well aware of what lies ahead.

## **Union Postale: What challenges does the long relationship between Posts and Customs currently face?**

Kunio Mikuriya: Because of the rapid development of e-commerce, we share common challenges. From Customs' point of view, we usually know the large shippers and traders, and, based on that, we do our risk assessment of goods. But nowadays, with the booming of e-commerce, it has become very difficult because consumers and micro-, small- and medium-sized enterprises are also involved. On the one hand, this is a good thing but, on the other, it has become really challenging for Customs to ensure which goods are legitimate and which are not.

In a way, this has put pressure on postal services as well, because, on the ground, Posts and Customs are working together to ensure the smooth flow of legitimate goods.

## **With the rapid growth in e-commerce, and obviously the parcels that result from it, what are the priority areas for collaboration between Posts and Customs?**

From our point of view, we need commercial data and the information attached to specific consignments to do our risk management. If we can have access to the data on those postal parcels, that will help us even before the physical arrival of that specific item. We can check and already identify what kind of intervention is necessary on our part. Usually, no intervention is required because most parcels are legitimate.

In this way, we ensure the free flow of goods. But we would like to identify the small percentage of parcels that pose risks to security and to the health and safety of citizens. Not only does the data have to be provided in a timely manner, but also it should be of good quality. If the data is not of a high standard, we will have difficulties in using it for our risk assessment.

## **Can technological solutions on providing data in advance on what is coming through the mail-flow offered by the UPU help?**

Yes, we can use that technology to ensure trade facilitation. The postal service works as a network and the postal network is well developed. If each national postal service is equipped better and invests more in the information technology offered by the UPU, then that network can be connected to the Customs network because Customs also works in a similar way, both globally and nationally.

If the postal network and Customs network have that connection and - with a more rapid development of information technology - it becomes possible that we gain access to the postal network to receive only the information we require to check the admissibility of parcels. Then, we can quickly respond to ensure the free flow of legitimate goods.

## **What else is on the cards for this collaboration between UPU and the WCO?**

I very much appreciate that a spirit of cooperation exists between Customs and Posts and it is based on trust. Our cooperation is excellent at the international level, thanks to the contact committee. We share problems and best practices and how best to do things. The WCO also sets standards for Customs, taking into account the specificity of postal services with help from the contact committee.

It is necessary that the goodwill and good cooperation at the international level cascade down to the national level. Of course, for this to happen, postal operators need investment, as do customs administrations, to connect their two networks. It will take time for this network connectivity to spread out all over the world. This is what myself and Bishar A. Hussein, director general of the UPU, are pushing for. I hope that we can really make a change together on the ground. **FM**



# Lifting the lid on African regulation

New research from the UPU sheds the first comprehensive light on the postal regulatory landscape in Sub-Saharan Africa.

TEXT:  
MARIE-ODILE  
PILLEY

In the last 30 years, the postal regulatory model of the industrial era has been put to the test – first by the new integrators and then by the advent of the internet together with the new geopolitical situation. Research on postal regulatory matters has been particularly scarce in developing and least developed countries, so the latest research provides an initial overview of the regulatory developments in Sub-Saharan Africa set in context.

A regional approach has been chosen, since regions share common features as regards history, tradition, culture, language, types of law and ways of doing business, despite idiosyncratic country features. The research is based on the results of a questionnaire on regulation, supplemented by desk research and UPU surveys on the universal service and the status and structures of postal entities. The response rate in Sub-Saharan Africa to the questionnaire was high, with 37 out of 45 countries responding. The survey concerns only national regulation, which is a sovereign matter.

## Context

Overall in Africa, postal growth has lagged behind economic growth. Economically, the continent is the second fastest growing region in the world, and its growth has accelerated, although the quality of this growth may not be optimal. Like economic growth, average postal growth hides significant and increasing disparities between countries. For instance, certain upper-middle-income African countries, particularly concentrated around South Africa and the richer islands, have bucked the relative decline trend, starting with Namibia and Mauritius. But the situation is not promising in a number of Central African and landlocked Sahel countries, which show falling production and many negative indicators. A vicious circle is at play here, with poor infrastructure and staff reduction causing a drop in postal volumes and vice versa. Previous reforms, consisting in further

reducing the scope and density of the post office network because of losses, have aggravated this trend.

Determinism is not at play here, as seen in the catch-up performance of some post-conflict and least developed countries. There have also been noteworthy accomplishments in low-income countries, including post-conflict ones, and the growth of several stronger incumbents has fallen behind economic growth.

Looking to the future, despite the infrastructure weaknesses plaguing the region, opportunities abound with new and more affordable technology applications, such as mobile telephony and cloud computing, not to mention 'frugal innovations'.

## Closer look

The postal infrastructure in Sub-Saharan Africa is a reflection of the region's persistent infrastructural weaknesses. In what is still a labour-intensive industry, industrialized countries employ 38 times as many employees per inhabitant as African countries. The latter employs one per cent of postal staff worldwide but is home to 12 per cent of the world's population. The weakness of the region is reflected in its share in postal revenues: 0.4 per cent of the world total.

Only nine designated operators, all located in countries with a large population, have more than 1,000 full-time employees. The remaining designated operators are small or medium-sized enterprises. Delivery is provided mainly through P.O. boxes, which are often very concentrated geographically and involve high rental costs.

The post office network, which used to represent the densest retail and financial services network in rural areas, is now being superseded by mobile operator networks. The clearest instance of this can be seen in Kenya, where Safaricom has a network of 32,000 connected agents, compared with the Post's 700 offices.





Letter volumes in the region are low, like here in Ethiopia (Photo: Michael Tewelde/EPA/Keystone)

### Mail make-up

The number of letters sent annually in Sub-Saharan Africa by inhabitant is particularly low: 2.4 compared with a world average of 56, or less than one per cent of the world total. Even in middle-income economies, such as Botswana, Mauritius, Namibia, Seychelles and South Africa, this figure ranges from 10 to 34. Kenya and Zimbabwe are the only low-income countries where more than one letter per inhabitant is sent.

Instead of letter volumes increasing in line with growth in gross domestic product or GDP, (as was the case in industrialized and some emerging countries until digital substitution took hold), they have been, with very few exceptions, markedly declining. On the whole, large accounts (utilities, banks and even government services) do not use the postal network. Informal operators, such as bus companies, are commonly used to send items without a proper postal logistics process.

The same pattern applies to the parcel market, where the number of domestic parcels per 1,000 inhabitants represents 0.1 per cent of the world total. The ratio of domestic to international parcels is 10 to 1, versus an average world multiplier of 132. For international exchanges, parcel volumes exceed express volumes in only four countries.

The picture is indeed more positive for express mail, with significantly higher volumes and a relatively deeper domestic market, although volumes are still low.

### Market trends

A number of designated operators in the region still have a legal monopoly over letter mail that is often more theoretical than real. Boundaries are being reformulated as part of the ongoing postal reform. In two-thirds of cases, the boundaries of the monopoly or reserved area are not defined, which makes it inoperable. When these boundaries are defined, those in charge of regulation report that

policing the market is still a challenge, even when the regulatory authorities are entrusted with this task.

In Africa, the trend has been first to regulate new postal operators (express and courier services) and then to apply the separate regulator model, somewhat inspired by the one developed for the European Single Market. In the European Union (EU), the issue of incompatibility between national postal monopolies and a single market was addressed in 1992 by the European Commission's Green Paper. Subsequently, a compromise that guided the creation of the single postal market was reached, guaranteeing the sustainability of the universal service for letter mail and parcels, while gradually opening the market to competition. This arrangement was welcomed by the various stakeholders (governments, incumbents, express and courier operators, large and small businesses, and the public), since it meant different things to different parties.

### Liberalization

A corollary of the liberalization process was to set up autonomous regulators. A somewhat unproven assumption in this era of liberalization, (which did not sufficiently take specific postal economic features into account), was that liberalization itself would improve social welfare for both citizens and businesses. Twenty years later, now that the market is fully open, the results are mixed. The incumbents remain by a wide margin the dominant operators in a letter-mail market that is diminishing as the result of technological substitution.

It is this liberalization component of the EU approach, together with a separate, autonomous regulator, that was adopted in Sub-Saharan Africa. However, the situation there was radically different. In the EU, the postal system had been developed by states over a century, in line with Sir Rowland Hill's postal reforms, through infrastructure investments, a monopoly, uniform pricing and charges for senders only.

# “Regulation must be tailor-made and not one-size-fits-all.”

When the Green Paper was adopted, the postal market of the EU (then 15 countries) was already extensively developed with 224 letters per inhabitant, compared with a market in most African countries still in its infancy. In fact, because of the significantly smaller size of incumbent operators and the lack of infrastructure, the universal service could not be anything but very different from what it was in Europe.

## Developing regulation

Strong postal policy and enforcement powers over the incumbent operator appear to be crucial in the early stages of development. A number of countries, including Tanzania, seem to have done things right with partial liberalization. With limited but sufficient resources, the Tanzanian regulator has gradually developed a system of checks and balances, and coordination with other bodies is under way. It established the rules of the game for all operators, including the incumbent operator, while strengthening its enforcement powers. It took into account changing needs and incorporated technology. Governance is clearer and the institutional framework has been strengthened as a result. Keys to success have been clarity, enforceability and scalability in governance.

On the other hand, the failure to meet these conditions has led to a deficiency in regulation. Similar findings were reached by the African Union and the Pan African Postal Union. They confirmed what regulatory research had already taught us: regulation must be tailor-made and not one-size-fits-all. Total liberalization has been a failure. When introduced too soon, liberalization can be destructive, and competition finds its limits once traffic volumes fall too low and economies of scale and of scope are insignificant.

## Multi-sector or specialist?

In reality, the merits of a multi-sector versus specialist regulator remain an open issue. On the one hand, in view of the policy trend towards a knowledge- and ICT-based economy in Africa, integrating postal regulation into a broader communications sector may allow for more effective development of synergies. On the other

hand, as is often seen, the postal sector risks being relegated to the last position. The regulatory and competition logic that applies to telecoms and electronic communications risks being applied inappropriately to the postal sector. Indeed, other ICT industries are capital-intensive rather than labour-intensive, as is the postal sector. Enabling innovation is a major consideration for any ICT regulator, while for a postal regulator, the top priority is to provide access to all, including physical access (i.e. universal service).

## Open questions

In this analysis, beyond the urgent need to embed market and economic research skills, questions have been raised that need to be addressed through further in-depth case studies. What impact does the level of development have on the choice of an appropriate regulatory system and market organization, including in states emerging from conflicts? How should network access and interconnection be treated where there are severe infrastructure deficiencies? Determining how regulatory activity should be funded, and by whom, is another challenge. Attention should also be paid to how the existing regulatory knowledge can be embedded at both sub-regional and regional level to enable constructive exchanges. **MP**

### MARIE-ODILE PILLEY

As a UPU postal regulation and economics expert, Pilley looks back on a long career in both the private and public sector.

The above extract is taken from the UPU publication, *Development strategies for the postal sector: an economic perspective*, from the chapter entitled “Postal regulation in Sub-Saharan Africa”.



Use the QR code to download the e-book or contact José Ansón for more information: [jose.anson@upu.int](mailto:jose.anson@upu.int)



# West Africa gets support

The West African Postal Conference (WAPCO) is laying the groundwork to put Posts at the centre of sub-regional development with ministerial support.

**TEXT:  
DAVID  
KOCH**

The first-ever extraordinary sessions of the WAPCO conference of ministers and board of directors in May yielded a series of decisions aimed at boosting cooperation between West African Posts to improve services. Twelve of the group's 15 member countries attended the Abuja conference, along with observers from the UPU and PAPU. Other groups that participated as observers included UNIAFRICA, a labour rights umbrella group, and the Commission of the Economic Community of West African States or ECOWAS.

WAPCO - a UPU restricted union - brings together 15 West African states and became an international organization two years ago. Its objectives for the sub-region include equipping postal operators with modern infrastructure, making them more interconnected.

## Ministerial hand

Among the government representatives at the conference was Omobola Johnson, Nigeria's minister of communication technology, who delivered the keynote address. She called for the extension of mail routes by road among the West African states to "guarantee a seamless postal logistics infrastructure". She also identified non-tariff barriers - notably highway checkpoints - as an obstacle to the growth of trade, citing a study by the UN Economic Commission for Africa. This found 69 check-points alone along the East-West route from Lagos, Nigeria, to Abidjan, Côte d'Ivoire. Requests for various forms of documentation and other practices at these checkpoints "add significantly to transit times and increase the overall cost of trade", Johnson said.

But she also expressed confidence that Posts could play a major role in inclusive development. "We are the universally accessible channel through which economic, social, financial and digital opportunities can be extended to the broadest range of the population," said Johnson. "The success of the Posts fuels their success."

## Membership

This was the prelude to an ambitious programme of regional integration, with postal operators at the heart of development. "We are aiming to have postal infra-

structure recognized as essential to development and to integrate it into the priorities of states and the region," said Louis-Blaise Aka-Brou, the executive secretary of WAPCO. His tenure as the group's chief was renewed at the conference until 2016.

Among the challenges in the region is the lack of access to electricity, said Aka-Brou. "This single West African postal territory that we are calling for cannot be achieved if the Posts aren't interconnected or electrified," he said. An electrification and connectivity project involving four WAPCO countries is currently in the works, under the aegis of the Pan African Postal Union (PAPU) and the UPU regional development plan. "This is an important project for our Posts that needs support for its financing and implementation," said Aka-Brou.

## Transport links

Deficiencies in the logistics network is another challenge that the West African Posts are trying to overcome. Initiatives include a new postbus network that carries surface mail and passengers along the road from Lagos to Abidjan. The network links five countries and stretches across some 1,000 km of road, with three buses plying the route in both directions three times a week. The transport link - supported financially by Nigeria, the UPU and PAPU - is expected to become a permanent business operation that supports cross-border commerce and the circulation of people throughout West Africa, said Aka-Brou.

Efforts for inclusive development include the provision of financial services to low-income households, added Francois Bini, head of communications for La Poste de Côte d'Ivoire. "This requires the implementation of innovative projects that meet the aspirations of the people in the context of social and financial inclusion," Bini said.

The sub-regional area is vast, covering more than 6 million km<sup>2</sup> of land. This includes all Sub-Saharan coastal states from Senegal to Nigeria, along with the Cape Verde islands and landlocked Mali, Niger and Burkina Faso. It's an area inhabited by 220 million people.

The next WAPCO conference is scheduled to take place in 2016 in Niger. **DK**



# Presidential aid for USPS

President Barack Obama has proposed changes to the United States Postal Service (USPS) that could potentially provide billions of dollars in savings. The proposals, listed in a budget plan, include ending mail delivery on Saturdays and returning some 10.9 billion USD that the USPS had overpaid into a federal retirement account. The proposals come as the USPS continues to wrack up losses, quarter after quarter. In the first quarter ended December 31, 2013, the operator reported a loss of 354 million USD.

The USPS acknowledged its dismal record, nothing that this was the 19th loss in the space of 21 quarters. The company blamed declines at its first-class mail business, "stifling legal mandates", along with "inflexible" models that it faces in business and governance.

Despite these challenges, the USPS did succeed in increasing revenues and trimming operating expenses in the fiscal first quarter, helping to narrow losses. Nevertheless, Postmaster General and Chief Executive Officer Patrick Donahoe called on legislation to be passed for comprehensive postal reform to ensure the company's future viability. Like postal operators throughout the world, the USPS is searching for a new business model amid falling letter volumes as consumers switch to online communications.

## Stepping back

However, one of its new initiatives - same-day parcel delivery in San Francisco - has failed to meet expectations. The Post dropped the trials of the service in March, a year after its launch. If that trial had been successful, the Post would have considered expanding the service into other areas across the US. The USPS inspector general blamed a lack of participation by large retailers. Retailers were supposed to send a minimum of 200 packages daily through the service, but during a five-month period only 95 parcels were sent on daily average. Reasons for retailer hesitation included a lack of signature confirmation and the inability to pay exact amounts for delivery.

Separately, the USPS announced it is investing in 75,000 new package scanning devices. The devices will enable real-time tracking of parcels and greater operating efficiency. Delivery staff will receive the new devices later this year. The investment comes as the Post tries to hold its own in the increasingly competitive e-commerce delivery market. **CM**

# Losses hit Canada Post



Community mailboxes in Canada (Photo: Canada Post)

Canada Post Group has posted a loss of 29 million CDN (27 million USD) in 2013 compared with 83 million CDN a year earlier. The sale of real estate assets at the main Canada Post (CP) unit, in particular the mail processing plant in Vancouver, helped narrow losses, says the Post.

Revenues from group operations was little changed, rising 0.4 per cent to 7.56 billion CDN. Those from the CP unit, accounting for 78 per cent of the group's total sales, advanced slightly to 5.88 billion CDN in 2013 from 5.87 billion CDN the previous year. Volumes of letters, bills and statements dropped 5.3 per cent. Parcel revenues rose 7.2 per cent in 2013.

CP is trying to keep costs in check to improve its finances. It plans to stop door-to-door delivery across Canada this autumn, replacing it with so-called community mailboxes over five years. Five million addresses where mail is still delivered door-to-door rather than to a central point, such as a lobby or post office, will be affected. CP is starting with 11 communities, including large cities such as Calgary, Winnipeg, and Ottawa, along with smaller towns, such as Rosemère and Charlemagne. The measure will eventually save 400 to 500 million CDN annually. The move is part of a five-point action plan, unveiled in December, to adjust to the new digital reality. The plan also includes the automation of mail sorting, a reduction in the Post's workforce through attrition and an increase in postage rates for letters. **CM**

# Alibaba buys SingPost stake

A multimillion-dollar deal between Singapore Post and Alibaba Group, the Chinese online retail giant, is expected to bolster the rapidly growing e-commerce sector, as the Post ramps up investment to tap into burgeoning regional markets.

The Alibaba Group will take a 10.35 per-cent stake in the Post after purchasing 312.5 million USD in stocks, according to a plan announced in May. As part of the deal, SingPost would issue over 190 million new ordinary stocks to Alibaba, who would also purchase 30 million existing stocks held in treasury by the Post. A new enterprise may also be on the cards, following an agreement by SingPost and Alibaba to open discussions about a potential joint venture.

With rapid, sustained growth in Asia-Pacific's online commerce market, the postal operator is aiming to retool its operations, said Wolfgang Baier, SingPost CEO. "The funds from this investment provide SingPost with financial flexibility and enable us to significantly scale up our e-commerce logistics business," Baier said. "We will speed up investment into our regional capabilities, especially technology and infrastructure."

That infrastructure includes parcel collection, warehousing, line-haul, Customs clearance, consolidation and last-mile delivery - with priority given to buyers and sellers from the Alibaba Group, a China-based constellation of businesses that includes more than half a dozen online marketplaces. Together, those companies generated

nearly 250 billion USD in sales last year. That makes Alibaba the world's biggest e-commerce player by gross merchandise volume.

The deal is meant to streamline cross-border online transactions, said Daniel Zhang, Alibaba Group's chief operating officer. "We hope to create concrete benefits for our overseas buyers and sellers by enhancing the user experience and providing greater access to a suite of international e-commerce solutions and products," said Zhang.

That includes the potential introduction of so-called POPStations, or "Pick Own Parcel Stations". This service, which is already available in Singapore (see *Union Postale*, Issue 3, September 2013). The service allows consumers to order goods online and have them delivered to a station of their choice, where they can retrieve the item from a locker after receiving a notification by email or SMS. A regional roll-out may now be on the cards.

SingPost is aiming to strengthen its e-commerce revenue stream as it experiences 'tremendous pressure' from the ongoing decline of letter volumes. And yet, domestic mail is the top priority for the Post, said Baier. The company is currently replacing its mail-sorting machines and delivery fleet as part of its efforts to improve customer service and productivity. "We will continue to invest, despite declining letter mail volumes into serving Singapore's postal needs and meeting its stringent delivery standards," he added. **DK**

# Courier gets make-over

Spain's national postal operator, Correos, has decided to rebrand its courier business, Chronoexpres, to Correos Express to give it a "modern, dynamic and accessible" image. The new logo represents a switch from the yellow colour that Correos has traditionally used for its brand. Correos Express will now offer customers three main Paq products: delivery before 10am or 2pm the next day or within 24 hours. The firm's main business will also deliver parcels within 48 or 72 hours. Correos said the streamlined Paq options would provide a "comprehensive" service to its customers. The rebranding comes as rivals,



such as Tourline Express, Seur and FedEx, seek to expand in the Spanish market. Correos Express has also introduced new technological solutions for clients, including a system that provides alerts of expected delivery times. **CM**



## AUSTRALIA

**AUSTRALIA POST** has introduced a concession stamp that permits 5.7 million Australians on low incomes to buy their domestic stamps at a discount. The new concession stamp, introduced at the end of March, costs 0.60 AUD (0.56 USD) and will be available until 2017. The move comes as the Post increases the domestic postage rate to 0.70 AUD from 0.60 AUD to offset the impact of falling letter volumes.

A major shake-up could be in store for the Post after the National Commission of Audit recommended the government privatize the postal operator along with other state-owned assets. The report suggested the government sell the Post in the "medium term".

## FINLAND

**ITELLA** is boosting its presence in e-commerce with a new system that will deliver online goods within a day. The 10-million-EUR (14 million USD) project includes construction on a new warehouse to be completed next year. The service targets online stores that want to rely on Itella to handle the storage, selection, delivery and return of goods.

The Post could cut some 1,200 delivery jobs after a 'very challenging' year in 2013. Profit slipped to 7.7 million EUR (10.6 million USD) in 2013 compared with 14.1 million EUR a year earlier, hurt by slumping revenues at its mail unit and 40.5 million EUR in one-time costs. Itella, which started negotiations on the job cuts in January, said it expects some will be achieved through attrition and voluntary departures.

## FRANCE

A tax credit offset business challenges in 2013 at **LA POSTE**, which reported a 31-per-cent increase in net profit to 627 million EUR (862 million USD) in 2013. Without the tax credit, profits would have dropped 30 per cent. Revenues rose two per cent as greater demand for parcel and banking services offset declining letter volumes.

## GERMANY

The fleet of alternative vehicles, including electric, hybrid and biofuel cars, operated by **DEUTSCHE POST DHL** has expanded rapidly over the past year by more than 4,000 to 10,500. The investment in these more eco-friendly vehicles is part of the postal operator's *GoGreen* programme, which aims to reduce its carbon footprint by 30 per cent (from 2007 levels) by 2020.

## ITALY

Rising revenues from financial and insurance services helped keep profit steady at **POSTE ITALIANE** last year, despite declining letter volumes. It reported a profit of 1.0 billion EUR (1.4 billion USD) in 2013 compared with 1.03 billion EUR in 2012. Revenue rose 9 per cent in the period, led by a 17 per-cent jump in insurance services.

The leadership of the Post has changed as Italy's prime minister, Matteo Renzi, appoints new managers to lead various key state-owned companies. Francesco Caio, known as "Mr Digital Agenda" in Italy, is the company's new CEO and general manager, replacing Massimo Sarmi. Caio was previously CEO of Avio Aero. Luisa Todini, an entrepreneur and former member of the European Parliament, was named board chair.

## JERSEY

**JERSEY POST** recently increased its postal rates to compensate for the negative impact of higher costs, declining letter volumes and the 2012 termination of Low Value Consignment Relief for products sent from the Channel Islands. Prices for letters less than 100g rose by a penny, increasing to 0.46 GBP (0.78 USD) for local mail and to 0.56 GBP for the United Kingdom, other Channel Islands and the Isle of Man.

## NEW ZEALAND

Dick Smith, the electronics retailer, has chosen **NEW ZEALAND POST** to provide delivery and

supply chain services as it expands across Australasia. The agreement, awarded in partnership with Australia Post, will see New Zealand Post run the chain's warehouse in South Auckland, distributing goods to Dick Smith stores across the country as well as delivering items purchased online to customers.

The Post has parted ways with Localist, a website that provides information on local businesses for an undisclosed sum. The postal operator said it sold Localist to focus on its main business. The Post initially launched the website in Auckland in 2011.

## NETHERLANDS

**POSTNL** says its decision to drop Monday deliveries has helped it return to the black in the first quarter of 2014. It posted a net profit of 54 million EUR (74.6 million USD) compared with a loss of 410 million EUR the prior year. The move to five days of delivery contributed to 41 million EUR in cost savings in the quarter, the Post said.

## POLAND

**POLAND POST** has introduced a new digital service that allows customers to send and receive letters, greeting cards and postcards internationally at lower rates. Through the *Envelo* digital mail platform, users can send mail digitally, with the Post converting the items into physical letters before delivery. The service targets customers in its home market, as well as the Polish community living abroad who want to send messages home.

## SINGAPORE

**SINGPOST** has sold its luxury-goods website, Clout Shoppe, to Reebonz as the former focuses on providing e-commerce logistics to customers, ranging from warehousing to delivery and returns. SingPost launched Clout Shoppe in 2011 as it expanded its e-commerce business. However, SingPost's strategy has since evolved with the operator saying that it now sees itself as an e-commerce enabler rather than retailer.



## SWEDEN

**POSTNORD AB**, the postal operator in Sweden and Denmark, saw its profits slump 45 per cent in the first quarter of 2014 to 100 million Swedish SEK (15.2 million USD). The Post blamed the drop on restructuring costs for job cuts, lower mail volumes and greater price pressure at its logistics business. PostNord unveiled a new organizational structure this year, aimed at improving its profitability, including the establishment of a unit focused on developing e-commerce services.

## GREAT BRITAIN

**ROYAL MAIL** says it will trim 1,600 jobs in a

move that it expects will save 50 million GBP (61.4 million USD) annually. The company says the cuts will largely impact those in middle management, including the head office, rather than letter carriers. The job cuts will not impact GLS, its European courier business. Royal Mail says it needs to boost efficiency as people and firms send fewer letters.

Customers of NatWest and Royal Bank of Scotland will be able to do more of their banking at **POST OFFICE LTD'S** branches across the United Kingdom. The Post Office has extended its partnership with the two banks, allowing customers to make deposits, withdraw cash and check their balances at its 11,500 branches.

## UNITED STATES

**UPS** saw its operating profit decline to 1.5 billion USD in the first quarter of 2014, dropping 106 million USD from the prior year. UPS blamed the lower results on "severe" weather in the US, which led to higher costs for wages and snow removal, along with slower sales growth. The international business fared better, reporting a 12 per-cent increase in operating profit amid strong demand in Europe.

*All items by Catherine McLean*

# Strategy 2020 eyes parcels

Deutsche Post DHL (DPDHL) is expanding its network of parcel terminals in Germany and beyond to lock in future growth. The postal operator has announced that it plans to add another 300 *Packstations* by the end of 2014. In Germany alone, as well entering the markets in the Netherlands and Italy. The company has chosen the latter because of their "very well-developed" e-commerce markets, says Dunja Kuhlmann, its spokeswoman.

As a reflection of the increasing importance of its parcel business, DPDHL announced a reorganization of activities in April as part of its *Strategy 2020* plan for the coming years. It has transferred parcel operations in Poland, the Czech Republic, Belgium, the Netherlands, Luxembourg and India from DHL to its former MAIL unit, which has been renamed the Post-eCommerce-Parcel division. The company expects the new division to post an average three-per-cent increase in operating profit annually through to 2020 thanks to soaring parcel deliveries.

In a related initiative, the company has launched parcel lockers for homes in Germany. Prices for a *Paketkasten* start at 1.99 EUR (2.72 USD) a month to rent or 99 EUR to buy. The main selling point is that homeowners can receive and send DHL parcels from the locked terminals on their property, sparing them unnecessary trips to the post office. The lockers use RFID or radio frequency identification, a wireless technology that allows just the homeowner and the DHL delivery driver to access the *Paketkasten*. Since its May launch, the company has received more than 100 orders a day for the terminals, according to Kuhlmann.

DPDHL currently has 2,650 automated parcel lockers in Germany in locations ranging from supermarkets to petrol stations. The number of registered users stands at more than five million, says the operator. **CM**



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