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Cover: Carlos Coelho

## DOHA POSTAL STRATEGY

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-  **1** Improve networks
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-  **3** Promote innovation
-  **4** Foster sustainability

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## June 2015

**EDITOR-IN-CHIEF:** Faryal Mirza (FM)

**AUTHORS:** Emmanuel Duh (ED), David Koch (DK), Catherine McLean (CM)

**DESIGN AND LAYOUT:** Die Gestalter, Switzerland

**SUBSCRIPTIONS:** [publications@upu.int](mailto:publications@upu.int)

**ADVERTISING:** [faryal.mirza@upu.int](mailto:faryal.mirza@upu.int)

### CONTACT:

Faryal Mirza  
Communications Head a.i.  
International Bureau  
Universal Postal Union  
P.O. Box 312  
3000 Berne 15  
SWITZERLAND

**PHONE:** +41 31 350 35 95

**FAX:** +41 31 350 37 11

**E-MAIL:** [faryal.mirza@upu.int](mailto:faryal.mirza@upu.int)

**WEBSITE:** [news.upu.int/magazine](http://news.upu.int/magazine)

*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. Union Postale is also published in French, Arabic, Chinese, German, Russian and Spanish.*

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STRATEGY

## E-commerce top of agenda in Europe and CIS region



The UPU DG visits a post office in Minsk (Photo: Belpochta)

Improving operational efficiency and e-commerce development were identified as a top-level priorities by postal delegates at the Europe and CIS regional strategy conference in June.

Participants were urged to embrace change, including new technologies and business models, by UPU Director General Bishar A. Hussein. He stressed the need for innovations that meet customer demands, while also calling for increased integration of post offices worldwide to create a seamless universal supply chain.

"The UPU and Posts will reinvent themselves to deliver innovative, integrated and inclusive development solutions, and will remain relevant now and into the future," he said.

"We will bring down the barriers to cross-border postal deliveries," he

underlined, adding that solutions aimed at improving postal integration include the UPU's new e-commerce programme, ECOMPRO. Hussein also called on the postal sector to promote better economic, financial and social inclusion.

### Priorities

Priorities adopted by stakeholders at the conference build upon ongoing efforts in the region, which include improving quality of service and efficiency and international e-commerce development.

The focus on these areas of intervention emerged as Posts in the region encountered market reforms allowing competition by the private sector in areas that were recently the preserve of public monopolies. This liberalization, along with new

technologies and changes in consumer demand, prompted designated operators to address market-oriented issues, including quality of service.

Second-level priorities chosen by delegates at the Minsk conference included e-services and diversification. The latter was identified in the UPU Regional Development Plan for the current work cycle as necessary for future development "to mitigate the decrease in letter-mail volumes."

Other second-level priorities adopted by delegates at the conference include financial services and postal-sector development.

Regional gatherings are setting the stage for the 2016 UPU Congress in Istanbul, Turkey, where the roadmap for the next work-cycle will be adopted. **DK**

## Reaching out

The word 'strategy' is on many lips in the UPU community following the World Strategy Conference in Geneva, Switzerland, in April. That gathering brought the importance of considering the future direction of the UPU home. The race is now on to gather regional input for the next cycle's strategy with Congress just over a year away. As you will read, we are half-way through the regional strategy conferences - three have already taken place. E-commerce has been identified as an area of priority in the regions so far. Fortunately, it comes with an awareness that there will be no e-commerce boom to exploit if Posts do not focus on raising their quality of service.

In other news, the cover story focuses on changing customer needs with a twist. Who would have guessed that people in industrialized countries are asking for physical post? As the postal sector moans about eroding mail volumes, they would be wise to keep the volume down for fear of drowning out the customer's voice. It is all about choice and not how we but the customers define it.

### Listening

Just as the UPU is reaching out to stakeholders to shape the future world postal strategy, so too is *Union Postale* magazine. Every two years, readers have a chance to make their voices heard on what they think about the magazine and where it could improve. The winds of change are already blowing and it's time to make all our voices heard. **FARYAL MIRZA, EDITOR-IN-CHIEF**

### CUSTOMS

## Postal-Customs use collective learning to reach goals

Fostering cross-border commerce in Asia-Pacific was the focus of a joint workshop held by the UPU and World Customs Organization (WCO) in Guangzhou, China, in May. Attended by some 100 delegates from 33 countries from the region, the week-long training sessions were hosted by the Chinese postal and customs authorities.

UPU Deputy Director General Pascal Clivaz spoke at the opening, underlining the importance of strengthening the cooperation between Posts and Customs.

"Since Customs is a critical link in the global postal supply chain, the Post-Customs interface must be as efficient and as streamlined as possible to ensure a high quality postal service. Posts are devoting significant efforts and resources to improving this interface," Clivaz said.

"Both organizations are now also facing new challenges as the world around us evolves. Increased trade is contributing to global economic development, and both organizations must play their part in this process," he added.

WCO Secretary General Kunio Mikuriya underlined that the workshop was taking place at a crucial time.

"The spread of the internet and the affordability of online shopping are now offering a huge opportunity for growth in e-commerce, leading to an exponential increase in small parcels, which Posts around the world are well placed to handle and deliver," Mikuriya said.

However, to facilitate the clearance of postal items, the electronic interface between Posts and Customs needs to be enhanced. Work in this field has already come a long way, with the UPU changing its Convention in 2012 to permit the sharing of advance electronic data with Customs. IT solutions based on electronic-messages standards, which were developed jointly by the WCO and UPU, also exist.

Delegates learned about the technical solutions available, including tools already developed by the UPU and WCO. Furthermore, ensuring effective compliance with various regulatory requirements was also

under the spotlight, said the WCO. Participants also heard from their peers, sharing case studies and best practices.

"By working together, we can facilitate the movement of postal consignments across borders and ensure that they reach millions of recipients around the world speedily and safely," said Mikuriya. **FM**



Opening the proceedings in Guangzhou (Photo: China Post)

STRATEGY

## Africa prioritises improving quality of service



Conference delegates discussed the main challenges facing their region (Photo: PAPU)

At the Africa regional strategy conference, national postal stakeholders, such as governments and public postal operators, have agreed that operational efficiency and developing e-commerce solutions are top priorities.

The two-day conference, held on May 31 – June 1 in Khartoum, Sudan, was organised by the Pan African Postal Union (PAPU), a UPU restricted union. Its goal, like other regional conferences to follow, was to host discussions on developing the UPU's next world postal strategy. This global roadmap for 2017 – 2020 will be adopted by the UPU Congress in 2016.

Addressing challenges that the sector is facing, UPU Director General Bishar A. Hussein said: "Posts in Africa must display the same pioneering spirit they have always shown and harness the power of innovation to adapt to customers' new communication needs."

"Innovation, integration and inclusion stand out clearly as the drivers of the postal sector in the future," he added.

Younouss Djibrine, PAPU secretary general, told delegates that measures must be taken to ensure the universal postal service can adapt to an evolving market and changing customer needs. This includes improving quality of service for domestic and international mail, offering new financial services and e-services, revamping regulation and addressing infrastructure deficits.

### Quality

The conference also tackled the quality-of-service issues, which Posts in Africa hope to improve in coming years. These include striving to meet the global standard for international letter-post set at delivery on the fifth working day after the item was posted for 85 per cent of items (or J+5).

In a region where strong private competition is present, regulation was another key topic discussed. Participants encouraged governments to examine whether existing regulation properly reflects the actual market situation and enables an even playing field that does not leave the

designated postal operator at a disadvantage.

Infrastructure alone represents a major challenge for African postal operators, according to PAPU. More than a fifth of post offices in Africa did not have electricity. To offer new services to customers, such as financial products, more post offices will need to have reliable energy sources and internet connections. Financial services could very well prove to be a promising revenue stream for postal operators, as three-quarters of the adult population in Africa do not have access to commercial banking services.

### UPU view

For the UPU's part, the director general assured delegates that the organization itself will undergo a fundamental review to respond better to member countries' requirements. "There is an urgent need for quick decision-making processes in UPU that will provide more flexible responses to those changing needs," Hussein said. **CM**

STRATEGY

## Latin America calls for better operations and e-commerce

Strengthening designated operators to make them more efficient and developing e-commerce emerged as top priorities at the regional strategy conference for Latin America in June.

One of the key issues facing Latin America is the weakening of designated operators by unrestrained competition, said UPU director general Bishar A. Hussein in a speech to delegates.

“Cross-border incursions by postal organizations on territories of others in the name of liberalization and competition has changed the postal landscape,” he said, noting that postal organizations in developing countries are losing market share to more well-resources entities.

“It is time UPU member countries deal with these sensitive questions head on,” he added.

The gathering – organized by the Postal Union of the Americas, Spain and Portugal – aimed to provide a forum for high-level discussions on the next global postal strategy. Coming on the heels of the African regional conference that took place recently in Sudan, it was the second in a series of meetings taking place in all world regions.



UPU Director General says it's time to address quality of service (Photo: PUASP)

### Four priorities

Delegates agreed that the top-level area of focus for the coming work cycle would be strengthening overall operations in the postal network, making them more efficient and effective, and the development of e-commerce.

Aspects of operations targeted include transport, security and the express mail service, EMS. Quality of service and the facilitation of commerce through the postal network appear to be key interests for Latin

American designated operators as they approach the start of a new cycle.

Among the secondary areas of intervention adopted by delegates was developing financial services. Providing services for those excluded from the financial system in Latin America was singled out as a priority.

Development of the postal sector was another second-level area of intervention adopted. This involves legal and regulatory reform, building on efforts of the previous cycle.

Diversification was also among second-level priorities. Activities mentioned include connectivity, e-services, e-government, and hybrid courier services. **DK**



Check out [strategy2015.upu.int](http://strategy2015.upu.int) for more on the regional strategy conferences







# Customers demand right to choose post

The trend of “digital by default” is meeting resistance from consumers fed up with companies railroading them into e-billing.

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

**ILLUSTRATIONS:**  
**CARLOS**  
**COELHO**

Emma-Kate Francis, a 36-year-old entrepreneur and jewellery designer, is no internet novice. She has a brick-and-mortar business in Cowsbridge, Wales, but also runs a website and sells her handmade wares predominately online. But, when it comes to bills and bank statements, she still prefers postal letters, instead of an email telling her that an invoice is ready to download.

“When I’m doing my accounting I just find it so much easier if I have a physical piece of paper in front of me,” says Francis.

“It’s quicker for me to file a statement or invoice and easier to keep track of who and when I’ve paid for services,” she adds.

She also needs the physical records for tax purposes and finds that letters are more trustworthy than print-outs of electronic statements.

“I trust a document on letterhead paper rather than printing them out myself,” said Francis, who promotes and sells her goods through platforms including Etsy, Twitter, Pinterest and Facebook.

The demand for choice in transactional mail reflects the needs of individuals like Francis, who feel their records are incomplete without ordinary postal correspondence, but also those without access to the internet, who are often the least privileged members of society.

The dramatic, ongoing decline of letter mail-volumes is driven in large part by service providers cutting expenses through the electronic substitution of transactional mail, such as bank statements and phone bills. Postal operators – along with manufacturers of paper and envelopes – are among those who stand to benefit if the drop in transactional mail volumes can at least be slowed. And Posts are now fighting for every letter.

## **E-substitution challenged**

Consumer demands for postal mail service have become legal battles in some European countries. In Germany last October, the Federal Court ruled that mobile phone companies cannot charge a fee for paper invoices, upholding the decision of a lower court.

And, in Austria last July, the Supreme Court ruled that it is unlawful for telecommunication companies to switch customers automatically from paper to electronic billing without their explicit consent, even if the customer had a chance to object but didn’t do so. That choice is up to the customer alone under Austrian law.

It was the second time that a billing-related case had been fought against T-Mobile Austria by the Vienna-based consumer watchdog, VKI. In 2012, Austria’s highest court found that it’s illegal to charge consumers for a



paper invoice if they did not agree to electronic billing, said Petra Leupold, VKI's legal expert. VKI initiated the case.

"Customers should not expect to pay for the paper billing because it is a contractual obligation and a corresponding duty of the telecommunication company," explained Leupold.

The cost of the paper bill should already be calculated as part of the main fee, she said. Otherwise, the terms of the agreement are "unfair under Austrian contract law and, therefore, legally void".

VKI first decided to take legal action against the company after complaints from consumers about the paper-bill surcharge started to pile up. Moreover, the group often receives complaints about T-Mobile charging "excessively and unlawfully", said Leupold. Those alleged practices give wary consumers all the more reason to examine a physical bill with care.

Leupold noted that those who came forward with complaints were often those who lack regular internet access, especially older people. Their complaints are proof that many consumers not only prefer postal communications in the digital age, they need it.

### Digital divide

As information and communication technologies becomes more deeply engrained into everyday life, it is easy to forget that many people in industrialized countries live their lives without the internet. But, as this becomes the default means of communication for transactional mail, the least privileged may find themselves on the wrong side of the digital divide.

Among the 28 countries of the European Union, 21 per cent of individuals aged 16 – 74 have never used the internet, according to 2013 data from Eurostat, the statistical office of the European Union. That figure partly reflects low internet penetration in countries, such as Bulgaria, Greece and Romania, countries where less than 60 per cent of households have internet access.

But even countries with relatively high rates of connectivity have significant off-line populations. For example, 88 per cent of homes in the UK have internet access, but eight per cent of Britons surveyed have never used the internet, according to Eurostat.

Even more tellingly, one in five adults lacks basic digital skills, including the ability to use the web safely for financial transactions, according to the charity, Go ON UK. Those people risk being penalized as companies charge fees for physical letter mail and offer services and products that are more competitive but only available online. David Gold, head of public affairs for Royal Mail, calls this a "poverty premium".

More than half of Britons who have never used the internet are disabled, according to the Keep Me Posted-UK, a campaign launched in 2013 by a coalition including the British designated operator, Royal Mail. And of the Britons without internet access, about half are in the lowest socio-economic group.

“The ‘dash to digital’ has created a series of unintended consequences that are hitting the poorest and most vulnerable hardest,” said Gold.

### Money management

A report commissioned by the UK campaign found that people are more likely to understand information in a letter than an online statement, and more likely to make sound financial decisions accordingly. The study lends credence to the complaints of those who distrust electronic statements.

For the study, nearly 2,400 people received an identical mock bank statement, either by post or by email, along with a notice about fee changes. The respondents then filled out an online survey, which included questions based on information contained in the document.

The results, published in February, show striking differences between the two groups, including their ability to retrieve information from the statement. Respondents with a physical letter were much more likely to identify their closing balance accurately at 82 per cent compared to 32 per cent for the email group.

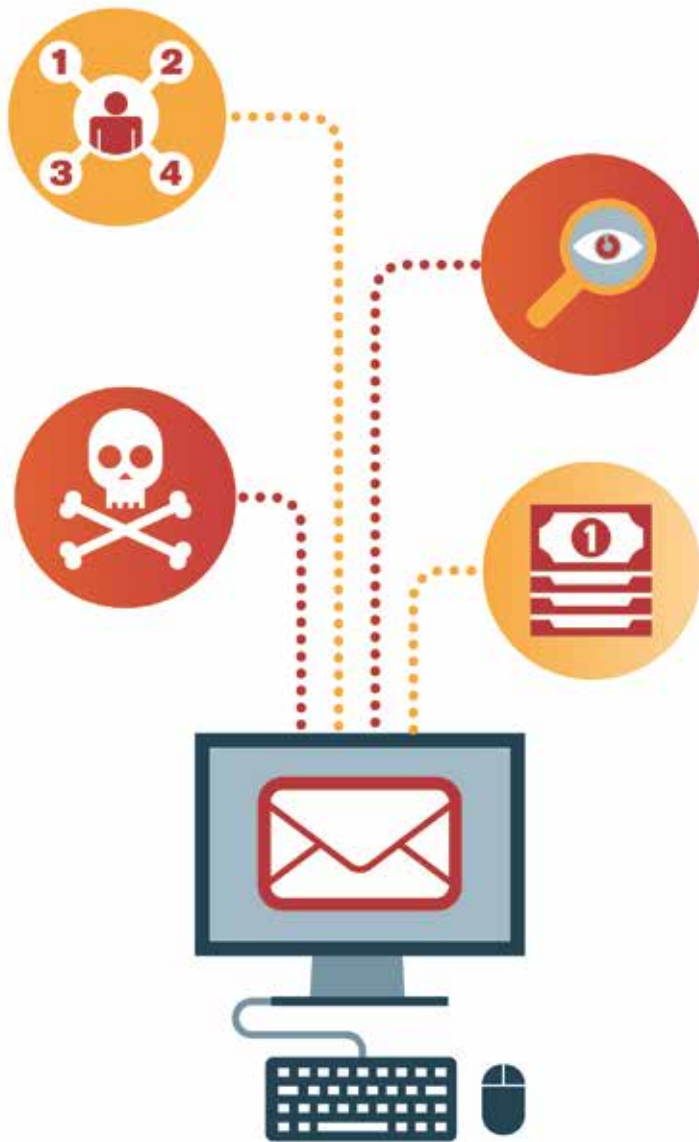


Similarly, those with a paper copy were more likely to correctly assess whether they could cover a payment on a certain date at 60 per cent compared to 44 per cent among the email group.

Those who received the postal notice were also more likely to retain information from the notice. For example, 82 per cent accurately recalled that the notice was about overdraft fee changes, compared to just 42 per cent of those from the email group.

Physical letters appear to command a higher level of confidence than their electronic counterparts. People are more likely to view transactional letter mail as genuine and accurate, according to the study, with 25 per cent favouring the physical mail compared to 16 per cent saying electronic is better.

“Clearly, consumers today feel more confident managing their money when in possession of a paper bill or statement,” said Gold.



### Core business

Back in Austria, efforts to maintain letter mail volumes have intensified since Austrian Post CEO Georg Poelzl announced a “fight for every letter” last year. The Post is concerned that the downward trend in mail volumes is accelerating and has launched a multi-pronged effort to bolster their core business of delivering letters, including political lobbying and public relations.

One aspect of the fight is a series of advertorials printed in a popular free tabloid in Vienna, in which the VKI’s head of legal affairs answers questions clarifying when customers have the right to receive physical mail. “We hope that many consumers read these advertorials and then complain to their providers about the way they get billed,” said Adam Christian, a communications official for public affairs at Austrian Post.

The Post has launched a viral marketing campaign called “Better No Letter”, which lampoons an American spy establishment, while encouraging customers to embrace the privacy of postal letters. A short video (in German with English subtitles) on the website [www.better-no-letter.org](http://www.better-no-letter.org) involves an agent from the “United Secret Service Agencies” (USSA), who urges viewers to stop sending letters so that spies can collect more information about them on the internet. People that do send letters by post are asked by the spy to scan them digitally and send the file to the “USSA” by email. The video had been viewed a total of 200,000 times by January 2015.

Christian explained that there is considerable anxiety in Austria about the insecurities of the internet; the Post is trying to tap into those concerns by encouraging people to use letter mail for sensitive documents. Connected to the video is the website, [www.schreib-weise.at](http://www.schreib-weise.at), providing background about data protection and the privacy of letters in Austria. The site also includes articles on topics including the art of writing, letter-writing etiquette and other positive aspects of letter mail. The initiative is meant to use humour to raise awareness about serious issues, said Austrian Post spokeswoman, Kathrin Schrammel.

“Among the 28 countries of the European Union, 21 per cent of individuals aged 16 to 74 have never used the internet.”

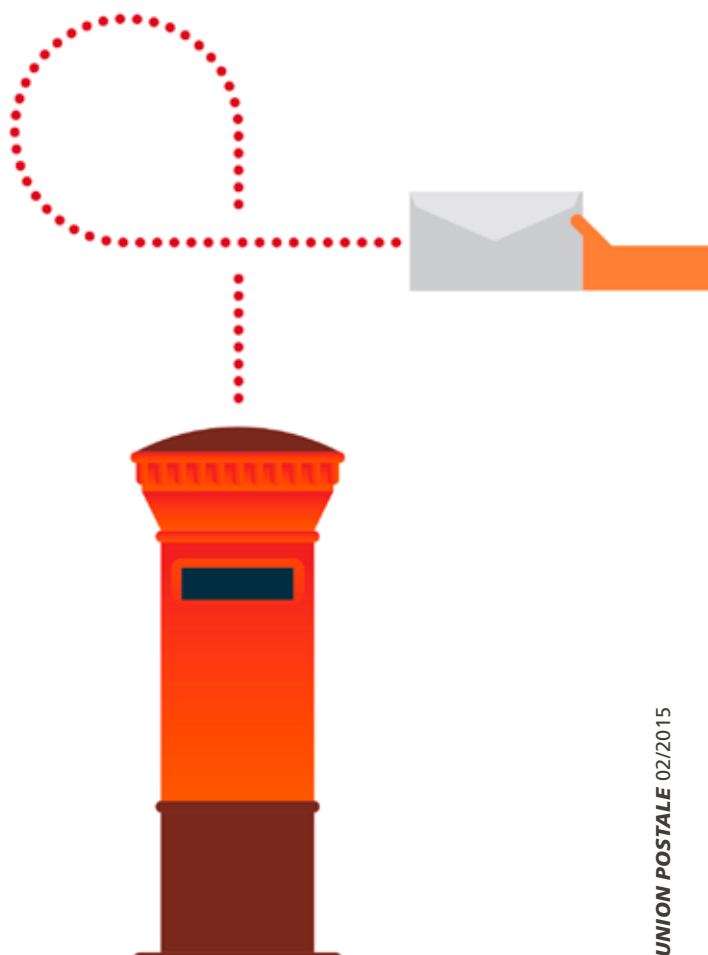
Source: Eurostat

“There are good reasons why sensitive bank data is [...] not sent over the internet,” said Schrammel. “Data can so easily end up in the wrong hands as numerous surveillance and espionage affairs and hacker attacks have demonstrated.”

Although letter-mail volumes continue to fall, leaders say their efforts are gaining ground. In the UK, several service providers – including three water companies and a financial service provider, together serving nearly 11 million customers – have signed a pledge stating that they will give consumers a choice to receive paper communications at no cost. There are now 77 groups supporting the UK campaign, including unions, charities, consumer groups and businesses.

Many politicians have also joined the bandwagon. For Keep Me Posted-EU, that includes EU parliamentarians from 10 countries and all three of the major party groups. In the UK, over 100 British MPs have pledged their support. “We are now in a positive dialogue with regulators, politicians and policy-makers,” said Gold.

As for Emma-Kate Francis, the jewellery designer, she told *Union Postale* that she ended up switching telephone providers over online billing. That’s just one example of how the freedom to choose postal letters still matters to customers in the digital age. **DK**



**FIND OUT MORE**

[www.keepmeposteduk.com](http://www.keepmeposteduk.com)

[www.better-no-letter.org](http://www.better-no-letter.org)



# UPU prepares for changes ahead

Postal operators, regulators and international organizations speaking at the UPU's World Strategy Conference in April discussed both the daunting challenges as well as significant opportunities that innovation will bring to all parts of the postal sector.

**TEXT:**  
CATHERINE  
MCLEAN

**PHOTOS:**  
PIERRE  
ALBOUY

Bishar A. Hussein, director general of the Universal Postal Union, urged the 750 delegates at the organization's 2015 World Strategy Conference to take a critical look at how postal services are created and delivered. Hussein said all participants must move on from the old way of doing business. Indeed, he believes that the UPU itself is in need of a "profound transformation" by 2020, including a more effective decision-making process, to ensure that innovation makes an impact throughout the postal world.

"Innovation and the integration of networks, products and services are key to building a seamless postal network in line with the changing global environment," Hussein told the conference, which was chaired by the Côte d'Ivoire and held in Geneva, Switzerland, in April.

The director general's comments come as the postal industry find itself under intense pressure to adapt to change on many different fronts. Speakers at the conference discussed how Posts could profit from the booming e-commerce industry. They debated the changing nature of the universal service obligation (USO) and the need for a re-examination of regulatory

rules. And they examined how governments can work with postal operators to ensure financial and social inclusion across their populations.

"Let's step out of our comfort zone and test new ideas upon which we can build the future of the Post," Hussein urged delegates, who represented 135 UPU member countries and other postal sector stakeholders.

Insights from the strategy conference will be used to help draft the next world postal strategy at the Universal Postal Congress in Istanbul, Turkey in 2016.

## **E-commerce opportunities**

The e-commerce sector has proved to be a catalyst for change within the postal industry. To remain viable, postal operators must determine their role in the digital marketplace. It is not an easy task: consumer demands when it comes to delivery of e-commerce goods, for example, are changing quickly. It is still unclear whether e-commerce giants, such as Amazon, are interested in handling last-minute delivery themselves.

Postal operators are adapting to e-commerce by introducing package lockers and sending delivery notifica-



UN Secretary General Ban Ki-Moon addresses the audience by video message

tions to customers via text messages. However, they should also recognize that transparency and predictability remain of great importance to customers, according to speakers at the conference.

Dimitry Strashnov, director general of Russian Post, encouraged postal operators to consider what kind of delivery their customers need and expect.

“Do we need to deliver all the parcels in one day or two days?” Strashnov asked.

“Would a customer be satisfied having three-to-five day delivery but with a high predictability level? Can we deliver on the promise? This is getting more and more important today because the cost of five-day delivery is lower than one day.”

There is another attractive market for postal operators: micro, small- and medium-sized businesses (MSMEs). With their expansive network of outlets – some 640,000 worldwide – and wide range of services, including digital, financial and logistics offerings, postal operators can help MSMEs become participants in the global e-commerce market.

E-commerce opens the door to new markets and business opportunities for SMEs, while reducing their transaction costs, increasing their overall competitiveness, Xiaozhun Yi, deputy director general, World Trade Organization, told the conference. To date, however, only large multinational organizations have benefitted the most from the explosive development of the e-commerce sector, Yi said.

### **New rules**

The obstacles preventing MSMEs from taking full advantage of e-commerce opportunities are numerous and vary from country to country. In developing countries, for example, Internet access is often a challenge. Lengthy customs procedures for exporting goods can also be daunting for MSMEs, which typically cannot afford to pay a customs broker.

Aranca Gonzalez, the International Trade Centre’s executive director, believes lower trade costs are a deciding factor in whether a small business stays in its domestic market or expands abroad.

“Logistical efficiency and improvements in the facilitation of trade are essential ingredients for the competitiveness of SMEs,” Gonzalez explained.

“It’s very important that organizations like the UPU take this and put it at the heart of the agenda.”

Philippe Wahl, president of France’s La Poste, voiced a similar opinion. He said that work on the development of the UPU’s global integrated postal programme, known as ECOMPRO, is critical for the further development of the e-commerce market.

“We need to communicate and exchange information with all members from the UPU,” Wahl said. “It’s the next big step we are taking together.”



International Trade Centre's Executive Director Arancha Gonzalez wants to lower trade costs.



International Organization for Migration's Director General William Lacy Swing highlighted the role of Posts in financial inclusion.

### Future

The IT revolution has changed other areas of business for the post. Amid declining letter volumes and booming package delivery, Posts, governments and regulators are taking a closer look at the USO. In Europe, where both internet and mobile penetration are high and postal networks are firmly established throughout rural and urban regions, the future focus should be on creating a better and more secure network for parcels, according to Torstein Olsen, director general of Norwegian Post and Norway's Telecommunications Authority.

"A new definition of postal services may be required," Olsen said.

In Africa, there is still much work to be done in terms of expanding the network of postal offices to rural areas so that all citizens can access postal services. Ethiopia, for example, has embarked on a project in which it is transforming telecom centres in rural villages into centres that provide telecom, IT and postal services. Côte d'Ivoire introduced a new postal code in 2013, replacing one from 1976, to ensure the provision of a universal postal service for all residents.

Indeed, the lack of addressing systems is a major issue for Africa, according to Younouss Djibrine, secretary general of the Pan African Postal Union (PAPU). Improving infrastructure is a key pillar in PAPU's preparations for "tomorrow's universal postal service", along with the diversification of services and postal regulation.

### Postal financial services

In terms of new markets for diversification, postal financial services are of particular interest for postal operators. The latter are viewed as being well placed to help more

of the world's unbanked join the global financial system as they have a wide-reaching network of postal offices around the world, accessible to many, along with a brand that inspires trust and confidence, according to speakers at the conference.

In Indonesia, the government has asked the Post to conduct a pilot project called the "post savings account" in six provinces as many people in that country still store their cash at home, according to Kalamullah Ramli, Indonesia's Director General of the Ministry of Communication and Information Technology. Other posts are interested in becoming players in the remittances sector, where the current rates are criticized as being "exorbitant" for migrants who send money home to their families in developing countries.

Whether it's providing more people with access to financial services helping MSMEs go global, or ensuring that consumers' letters and packages arrive on time, postal operators have a critical role to play in both the global economy as well as sustainable development in the years ahead, speakers said.

"As the world shapes a new sustainable development agenda and strives to address the threat posed by climate change, postal services can and must be part of the solution." United Nations Secretary-General Ban Ki-moon said in a personal video message to the conference. **CM**



**BAN-KI MOON'S VIDEO MESSAGE**

[www.tinyurl.com/ban-ki-moon-message](http://www.tinyurl.com/ban-ki-moon-message)





Roberto Cavanna (l.) from the Postal Union of the Americas, Spain and Portugal and Tammy Whitcomb, United States Postal Service.



Delegates in Geneva



From right to left: Communications Minister Bruno Koné, Prime Minister Daniel Kablan Duncan (both from Côte d'Ivoire), UPU Director General and Deputy Director General



# On partnerships

As an expert in international postal financial services, Hans Boon can offer a number of interesting insights in how Posts can set up partnerships with financial partners. Currently working with the International Fund for Agricultural Development, he is part of the team dedicated to the African Postal Financial Services Initiative of which the UPU is a partner. Under the initiative, projects are currently being implemented in Ghana, Benin, Madagascar and Senegal and being prepared for seven other African countries.

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

*Union Postale: Is creating a partnership a short-term hit?*

Hans Boon: The preparatory process for building a partnership can be long; sometimes it's not months but years. In some cases, this is too long and opportunities are missed. The challenge is how to develop a more effective way of partnership-building. We hear of the success stories at conferences and in seminars but the reality is that there are failures. Partnerships collapse, banks go bankrupt, microfinance institutions disappear or changes happen at the Post and result in a discontinuation of the partnership.

*How can failed partnerships be avoided?*

As a principle, more structured knowledge-sharing is needed to assist Posts in actually building partnerships and to learn from experiences elsewhere.

There is a lot of value in learning about why it did not work, why it failed and how it should have worked.

What is the rationale of building a partnership versus organic growth? Organic growth is the model, which you build within your own organization and financial services and you try to expand on them, doing all the operations. Time is an important factor.

*What reasons are there for partnerships?*

Sometimes, there are legal and regulatory reasons. Very often, the Post does not have a licence for certain financial services and it is also very difficult to obtain that licence. It might be for political or financial reasons. There is also, in many cases, a limitation in organic growth in the form of capital or finance as the funds available to invest in new services or in expanding or improving the financial services are limited. Therefore, certain gaps could be filled through a partnership.

Another reason to build a partnership can be knowledge or management capacity. It is not possible to hire or recruit within the postal organisation certain professionals in banking or financial services and it is possible to enter a partnership with a financial service. Again, we need to outline very well what the rationale is. For each Post, it will be quite critical to define why it should look for a partner and for what kind of partner.

*Why are other players interested in a partnership with a Post?*

It is not enough to say that a partnership can be

built because a Post has 1,000 offices. It could be that they have not been renovated for the last 30 years and are not equipped. If we talk about entering into a partnership, we all know that there are many risks.

#### And the ideal partner?

Commitment on both sides is important. A partnership is not a free-wheeling arrangement that can be stopped the next day. On the one side, there is the Post – it has a reputation, a social mission, a public obligation. Therefore, any partner has to be a really serious institution with a long-term commitment to build a business and not making a quick profit.

#### What are the important building blocks for a relationship?

One is the brand value of the Post. Brand value is also known as trust, confidence or reputation. A very important element of the Post is its reputation and this can be expressed in a financial value. The United States Postal Service recently estimated the value of their brand at 3.7 billion USD. This is a high amount but I think it is underestimated. However, it signals to many other Posts thinking about building a partnership how to deal with comments from a potential partner, saying “you don’t have a good-looking postal network, your staff needs to be trained, you don’t have the equipment”. What is very critical, and in fact more so in financial services, is that the Post has a brand, a name and a reputation and that also has a price.

#### How can Posts evaluate their brand?

The postal operators need to have tools and instruments to realistically evaluate this price. To build a partnership is a mutual case of reputation. As a postal operator, it means, given your public mission and given the brand value, it is not really possible



*The UPU-IFAD project is hoping to help rural families, like this one in Senegal (Photo: Olivier Asselin/IFAD)*

to engage with a certain type of financial services.

The potential partner needs to be a well-established financial institution that has a sense of social responsibility and a long-term view on expanding inclusion. This also means that, if you think about building a partnership, you have to outline what the conditions are to build one. It helps the Post to have a sector policy, financial statements and clear accountability. It also helps to have the postal network interconnected but, if it is not, what can be done to interconnect it? It is also very important for the Posts to know what you should demand from the other party.

#### What could the partnership be about?

We could think about a partnership for one product line. For instance, the focus of the IFAD-UPU project is remittances. This is one product line. For the postal operator, there is still the question of how does this one product fit in the overall set or range of products to be provided to the consumers. It is also possible

“The potential partner needs to be a well-established financial institution that has a sense of social responsibility and a long-term view on expanding inclusion.”

to think about partnerships for a client segment or specific products like insurance, credit, securities.

It is more important for a postal operator to define how it can better serve its clients. Maybe the most important element in the partnership is the post offices as the distribution network for the financial services.

Post offices are not really a single separate distribution channel but they fit somewhere in an ‘only channel environment’. There are many channels in this ecosystem – whether it is mobile, terminals, self-service terminals, internet, bank branches or agents. The post office is a specific channel that could attract a large part of the population but not everyone. It is always good to look at where the actual or potential place of post offices is. Where are they located in relation to actual bank branches, agencies and ATMs and how do post offices fill the gap?

How important is technology?

Retail technology and connectivity are critical. It is very important that the UPU considers the connectivity of post offices, especially in Africa, a very high priority. A network is only networked if it is connected. Retail technology includes security scanners, printers, and so on, to make the services possible. Here, the challenge is also what we call interoperability. It is not about

a separate technology for a separate operation but it needs to be able to connect for instance with payment cards, payment systems and other financial systems.

Where does cash management fit in?

This is critical. Cash management means different things, such as, at the head office, do you have a real-time online overview of what your cash position is in the different post offices? It also means how to organize the cash storage in post offices. What is the optimum amount to be stored in the post offices? And how do you transport cash, do you need secured cars and how do you keep control of the routing of those cars? How do you balance the cost against the benefits of security and keeping a balance?

Some Posts have been building a centralized treasury system where they can follow the cash position quite accurately. But I see in quite a number of postal operators that this is not present and, under the IFAD project, one initiative is to prepare a toolkit for cash management, liquidity management and cash logistics to find the optimum. The optimum will differ from country to country, from month to month, seasonal patterns and customer behaviour, but at least there is a basis to go forward.

How complicated a beast is a partnership?

The contract is a small formal step in the whole process. It requires that the different layers of the organization on both sides have counterparts. And this is one of the critical challenges. On the Post's side, it is sometimes underestimated how many contact points are needed between it and the financial partner.

It needs a whole team structure on both sides with working groups. Nevertheless, even if that is in place and working well, we need to take into account that this partnership is between two organizations with very different cultures. Different cultures means there is a risk of emotional clashes. And this needs to be taken into account and anticipated by management. It needs constant attention and training.

What about regulatory aspects?

We all know that central banks may frown if approached by post offices wishing to expand their financial services. Central banks are not always familiar with how to provide financial services via the post office and they may object. They might also object because there are already only a small number of commercial banks or friendly savings banks and so, it might not be in the interests of the central bank to go forward with post offices.

Therefore, a very important element in regulatory issues is to solve the issues in both the financial and postal regulatory frameworks.

It is quite obvious that post offices can play a very significant role in universal access to financial services. Also, in principle, there is an interest and a commitment on the part of the international development community to support and expand access to financial services through post offices.

What is remarkable about the UPU-IFAD partnership?

It is a remarkable international partnership because it shows the interest of international organizations in leveraging the usage of postal network for financial inclusion. It is widely believed that post offices have big potential in improving access to financial services, but very often the potential is not captured.

If we look both in Africa and around the world, we see that some kind of partnership between the Posts and financial institution – and this can be a bank, it can be a microfinance institution, it can be a money transfer organisation – exist. They are being developed in more than 80 per cent of the countries where Posts are active in financial services.

But we also see different models ranging from simple standard contracts with very little advantage for the Posts to long-term arrangements and joint ventures in investments. It would be good to have these different models clearly defined, also the pros and cons of the different models and what is more interesting for the Post. **FM**



# West African Posts unite on reform

Designated operators in West Africa facing multiple challenges, including a lack of electrification, addressing and other basic infrastructure, are aiming to develop new strategies for building capacity and contributing to their countries' socio-economic development.

TEXT:  
DAVID  
KOCH

Delegates from fourteen West African countries gathered for a conference on postal reform and regulation in March, along with representatives from the private sector and international organizations, including the UPU. The three-day forum revealed how West Africa is attempting to surmount considerable difficulties using the post office as an engine of regional growth.

## Universal service

In an area where postal regulation has been practically non-existent or impossible to enforce, such fora are a chance to exchange ideas on new approaches to postal development. Côte d'Ivoire, which hosted the forum in the coastal city of Grand-Bassam, is one of the countries emerging as a sub-regional leader in this area.

Héraclès Maye Assoko is the former director of legal affairs and international cooperation for the Ivorian ministry in charge of the Post and information-communication technology (ICT), and is now the senior legal consultant for the same. At the conference, he explained how his country is striving to renew its post office following years of conflict and governance problems.

In 2013, Côte d'Ivoire introduced a new legal and institutional framework governing the postal sector to replace decades-old legislation. The new regime aims to guarantee a universal service that is financed by all postal actors, while allowing competition to emerge in a regulated manner, Assoko explained.

That sets the Post on a path away from the monopoly model that has only existed on paper since political unrest began in 1999, leading to years of civil war. During that time, many private postal firms began operating illegally and therefore without regulation, said Assoko in an interview with *Union Postale*.

## New regulator

Côte d'Ivoire expects to invest more than 28 billion CFA francs (46.8 million USD) as part of its ongoing postal restructuring efforts, according to Assoko. These funds are intended to renew postal infrastructure shattered by war and to repay debts.

The major institutional development under the Ivorian system is the new regulator for the postal sector. This body, known as ARTCI, was already the authority for telecommunications and ICT. Under the new regime, private postal operators – including multinational integrators – can now receive authorization from ARTCI to provide certain postal services, including the domestic and international delivery of postal items over 2 kg and parcels over 31.5 kg.

Lawmakers have committed to protect the universal service from competition for seven years from 2013. But, at the time of writing, the government is considering a decree that would allow authorized private operators to deliver some items below the 2 kg limit in urban areas, said Assoko.

In practice, he said, private operators are already performing these services and customers are accustomed to this. Ending this could be very costly and difficult, he said, citing it as an example of the challenges of post-conflict postal development.

Authorized postal operators can also provide a range of courier services under the new regime, including the delivery of all manner of printed materials, such as books, catalogues and office supplies. But the right for private companies to operate also comes with a set of obligations, including quality standards and a financial contribution to the universal service, although the precise amount of the contribution has not yet been determined.

“Markets that have seen growth are ones with a strong designated operator that acted as an engine for the rest [of the actors in the postal sector].”

Marie-Odile Pilley

Another category of postal services under the new regime – involving one-time ‘on-demand’ delivery contracts – can be carried out freely, without authorization by the regulator. Firms providing this service will also be required to help finance the universal service, said Assoko.

The designated operator, La Poste de Côte d’Ivoire, which is now licensed and overseen by ARTCI, is required to operate in a way that guarantees the confidentiality of correspondence and provides accessible services according to the principles of equality and non-discrimination across the entire territory, especially for people with disabilities, said Assoko. Prices set by the designated operator must be reviewed annually and approved by the regulator under the new system.

In terms of enforcement, anyone with an interest in the activities of postal operators, such as groups representing consumers, can bring a complaint to the regulator. Its decisions can then be contested in the Ivorian court of appeals.

#### **Building capacity**

Strengthening the post office by building infrastructure, improving quality and developing a more inclusive network is key for postal development, according to Marie-Odile Pilley, a UPU consultant.

“Markets that have seen growth are ones with a strong designated operator that acted as an engine for the rest [of the actors in the postal sector]”, said Pilley in an interview with *Union Postale*.

The designated operator spurs this growth by facilitating the delivery of communication and goods to every citizen, fostering a network that facilitates trade, leading to increased transactions.

Sammy Koroma, managing director of Sierra Leone’s designated operator, SalPost, echoed this view, stressing that competition is a good thing but that a certain degree of state protection is necessary while the operator develops.

“You need to provide sufficient muscle [to the Post],” said Koroma.

This means that elected officials must be willing to push for regulations that will support the designated operator despite pressure from competing interests.

In contrast, many African countries have experienced rapid liberalization schemes, known as structural adjustment programmes, since the 1980s, the heyday of the so-called Washington Consensus. These resulted in a vicious cycle, with already-weak post offices losing market share, causing Posts to decline further.

As a result, while major integrators may perform well in profit-making corridors, huge parts of the population lack any postal services at all. And, without the ability to enforce regulations, these markets have experienced “wild competition” that has undermined postal development, Pilley said. Countries in West Africa are, therefore, seeking innovative approaches to achieve profitable operations and are trying to create a common market for the sub-region.

**Harmonizing development**

To create such a common market, among the recommendations adopted by countries attending the conference was the need for harmonized policies. Indeed, one of the main benefits of such conferences is to foster integration among participants, making operations more efficient and sustainable.

Better integration means, for example, that postal items currently sent by plane from Sierra Leone to neighbouring countries, such as Liberia, could be sent more economically by road, said Koroma. Items bound for Côte d'Ivoire could be sent electronically and printed at hybrid mail facilities in Abidjan.

A working group on regulation and reform at the Grand-Bassam forum called for a harmonized sub-regional policy framework that could affect everything from addressing infrastructure to the licensing of express operators that currently escape any regulation.

Harmonization efforts are meant to facilitate trade among countries in West Africa, said Pilley. One legacy of colonialism in the sub-region is the low level of internal trade, but by integrating postal regulations, countries can increase the size of their common postal market and boost economic activity more generally.

"When you've got regional integration, you develop the exchanges between countries enormously," she said, pointing to the European example.

"It would be one way for small companies that are not in the capital cities to reach a kind of international supply chain," she added.

**Private-sector partnerships**

West African designated operators often lack the ability to undertake certain projects, notably due to the lack of capital for infrastructure. Consequently, delegates at the Grand-Bassam forum expressed interest in entering into partnerships with the private sector. The forum included several presentations described as win-win partnerships with the private sector.

But postal operators also expressed wariness about these arrangements, with a report from the working group on network profitability at the forum, noting that "there is tendency to be cheated as a result of lack of expertise in drafting and understanding agreements, especially with financial institutions".

However, while small individual countries often find themselves in a poor bargaining position with large multinationals, they may be able to achieve win-win partnerships by negotiating collectively.

"Working together is very, very important," said Pilley.

**DK**

## Ebola cases down but SalPost struggling to recover

Cases of the Ebola virus have declined dramatically in West Africa, but lingering effects for Sierra Leone's postal operator include lost revenue and damaged consumer confidence following disruptions of international mail flows, said Sammy Koroma, SalPost's managing director.

Prior to the deadly outbreak, between six and eight flights carrying international mail would enter Sierra Leone weekly. But when the crisis reached its peak, service was reduced to one weekly flight or none at all, as airlines cancelled their connections.

Brussels Airlines, the lone airline offering continued service throughout the crisis, sometimes left mail in Europe to make space for medicine and protective equipment needed to fight the disease, said Koroma. The result was a backlog of international mail, leading to complaints from customers expecting items from abroad.

"They would think it was our fault," said Koroma.

The Post also lost EMS customers to the express firm, DHL, he said.

Flight frequencies are starting to pick up, but major carriers, such as British Airways and Air France, have not resumed service at the time of writing. The designated operator is now struggling to cope with "a significant drop in revenue" caused by disruptions stemming from the outbreak, said Koroma. "Unless we increase the frequency of mail delivery, especially the flights, we are still going to be in that quagmire," said Koroma.

SalPost also expects that terminal-dues payments will decline since they are linked to quality of service. Despite the Post's struggles, it has also contributed to the fight against Ebola. In particular, the Post has used its network to deliver information about Ebola to households. Koroma also noted that there have been no Ebola-related casualties among workers at the Post, owing to sensitization efforts.

By June, Ebola had claimed over 11,000 lives in Guinea, Liberia and Sierra Leone, according to the World Health Organization. About two dozen cases remained in Guinea and Sierra Leone in early June. **DK**





# EU to dismantle digital barriers

The European Commission recently unveiled its new *Digital Single Market* strategy, which aims to update rules and introduce new initiatives to ensure that Europe does not get left behind in the digital world.

TEXT:  
CATHERINE  
MCLEAN

The European Union's Digital Single Market is comprised of 16 separate actions encompassing a wide range of areas, from technology to value-added tax to postal services. The timeline is tight: all of the actions are supposed to be completed by the end of 2016.

While physical barriers have been dismantled within the European Union (EU) for consumers and businesses, the same cannot be said for the digital world. Just 15 per cent of EU citizens buy services or products online from another country within the EU, while a mere seven per cent of small- and medium-sized businesses within the EU sell their goods cross-border.

Andrus Ansip, vice president of the Digital Single Market, believes the new plan will "prepare Europe to reap the benefits of a digital future. They will give people and companies the online freedoms to profit fully from Europe's huge internal market".

## Opportunities

The potential within the EU is enormous: some 315 million Europeans are online every day. Adoption, however, of fast internet services is surprisingly slow within the EU: only 22.5 per cent of subscribers have an internet connection surpassing 30 Mbps. Only 15 per cent of EU citizens in rural areas have access to 4G mobile technologies. The Commission plans to reform the telecom regulations, including for spectrum, and launch incentives for investment in high-speed internet infrastructure. Opportunities within the digital realm are currently being squandered. Within the EU, 54 per cent of the digital market is comprised of online services based in the United States. National online services located within the EU's 28 member states represent another 42 per cent, leaving EU cross-border online services with a four-per cent share of the market.

The various initiatives could eventually account for 415 billion EUR (453 billion USD) in additional economic growth within the EU on an annual basis and lead to the creation of "hundreds of thousands" of jobs, according to the Commission's predictions.

"Our economies and societies are going digital," said Günther Oettinger, European Commissioner for the Digital Economy and Society.

"Future prosperity will depend largely on how well we master this transition," he added.

The strategy is made up of three pillars: Better access for consumers and businesses to digital goods and services across Europe; creating the right conditions and a level playing field for digital networks and innovative services to flourish; and maximising the growth potential of the digital economy.

One pillar is focused on bringing down cross-border barriers for consumers and businesses alike in the digital world. One barrier facing small online businesses is the not-insignificant costs (roughly 9,000 EUR) they must pay to adapt to another country's laws. As for consumers, inconvenient and high delivery fees often discourage them from making a cross-border online purchase within the EU.

## Proposals

The Commission has proposed a number of initiatives in this area, including the introduction of a single electronic registration and payment system for value-added tax. This would make it easier for small online businesses to expand across the EU. The postal sector is also under the spotlight, where the Commission has identified high delivery costs as an obstacle for both businesses and consumers. Cross-border tariffs for parcel delivery are up to five times as high as those for domestic deliveries, according to the Commission. Other issues include insufficient interoperability between different postal operators participating in the cross-border shipment of goods.

The postal industry within the EU is already wrapping up an exercise focused on quality and interoperability, including delivering parcels more quickly. The Commission will also introduce "complementary" initiatives that target a more "transparent" price for European deliveries. **CM**

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# EMS imports spike in China

An appetite for imported goods among the growing Chinese middle class is causing inbound EMS volumes in China to eclipse exports for the first time.

**TEXT:  
DAVID  
KOCH**

EMS imports to China increased by 62 per cent in 2014 over the previous year, reaching more than 13.3 million items. And growth appears to be accelerating: in the first quarter of 2015, volumes actually doubled over the same period in 2014. China's inbound EMS volumes accounted for 23 per cent of global volumes in 2014, the highest in the world, says Jiang Feng, Asia-Pacific regional coordinator for the UPU's EMS unit. These trends lend a global significance to quality of service in China.

### Middle class

Consumers from China's middle class tend to prefer name-brand products, and as the affluence of this class rises, households that are otherwise generally frugal are willing to pay a premium for imported brands.

But items being imported through the EMS service are often everyday goods such as milk powder, an import that increased after the melamine-tainted formula milk that led to deaths and illness in more than 50,000 infants. Other popular items include cosmetics and medicine.

The imported items came largely from Japan, which accounted for 34 per cent of total inbound EMS volumes in the first quarter this year - doubling over the same period in 2014 - followed by Korea, which increased by over 60 per cent during that time. Other big increases were witnessed in exports from the Netherlands, Great Britain, France, Australia, Hong Kong, India and the Czech Republic.

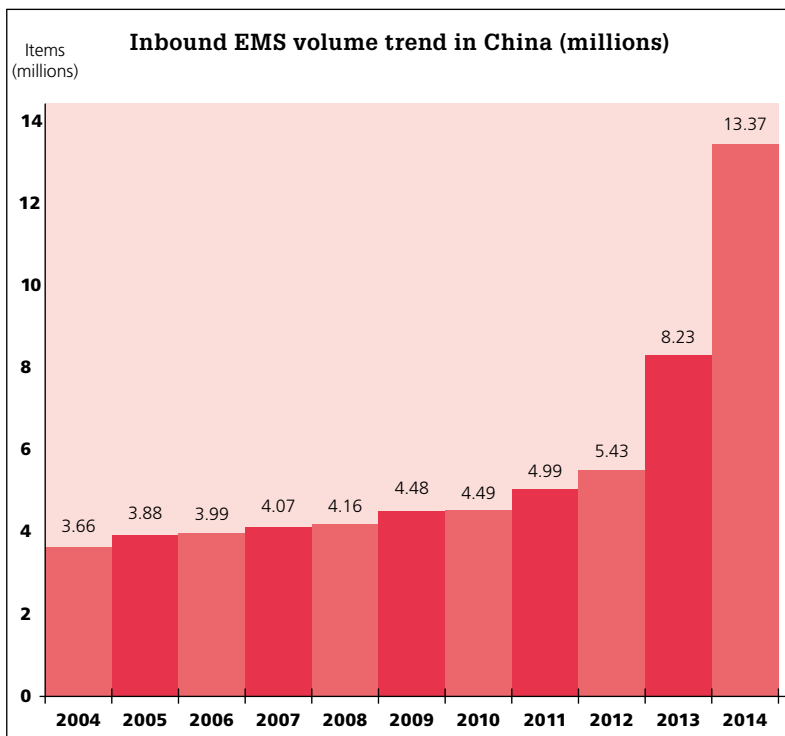
### Changes

Formerly a net exporter of EMS items, the shift has prompted China Post to focus on delivery standards to increase profits.

"They have realized that through better delivery performance, they can actually make more money," says Feng.

This strategic shift has involved the signing of several new pay-for-performance agreements with major-volume partners, including the designated operators of Japan, Brazil and Russia. These agreements, which entered into force from the second quarter of 2015, mean China Post "will increase its efforts to ensure EMS performance improvement, in spite of their problems brought by the great increase of inbound volume," says Feng.

Indeed, the influx of items has encouraged China Post to address bottlenecks at major offices of exchange, such as Shanghai International Office of Exchange. The designated operator has taken a multi-faceted approach to managing these problems, says Feng. For example, the Post has coordinated with Customs for improved clearance and has upped processing capacity "by increasing staff, facility size, equipment, vehicles, and through automation and procedure optimization", he added. China Post has also integrated its information systems and processes with domestic operations. The designated operator is working towards a 95 percent on-time delivery target by the end of 2016. **DK**



Source: EMS Unit



# UNCTAD calls for universal approach

The postal system has a crucial role to play in providing efficient, universal services for developing countries trying to unlock the potential of e-commerce. That's one of the takeaways in a new report from the United Nations Conference on Trade and Development (UNCTAD).

**TEXT:  
DAVID  
KOCH**

Released in March, the 2015 Information Economy Report describes the barriers preventing developing countries from full participation in e-commerce and strategies for overcoming those hurdles. To help leaders better understand their economic capacity in the e-commerce marketplace, the report includes a new index that rates the business-to-consumer (B2C) e-commerce readiness of 132 economies. Among the key indicators of the index is the percentage of the population having mail delivered at home.

The report also contains a set of recommendations for policymakers, including ways to strengthen laws and regulations to help build trust among consumers who may be reluctant to make purchases online. Overall, the report calls for developing countries to approach the challenges of e-commerce holistically as technology continues to transform economic realities.

## Opportunity

Along with factors including internet access and secure payment systems, the quality of product delivery is an important factor influencing the scope for e-commerce in a country, says the report. This means designated operators plays a potentially crucial role in the development of e-commerce.

Although the report notes that poor delivery services exist in some countries, the postal network "remains the most important national infrastructure for universal access for urban dwellers and, more importantly, for consumers and producers located outside of urban areas".

This importance is due to the extensive reach of the Post within a country's territory and its connections to postal networks abroad, which make it "a cost effective method for connecting all citizens and businesses to the global e-commerce economy".

The phenomenal rise in cross-border postal deliveries of small packets, parcels and packages wasn't overlooked by UNCTAD. International deliveries of these three categories of items expanded in tonnage by 48 per cent between 2011 and 2014 alone, according to UPU data.

And, while the benefits of e-commerce initially accrued to multinational corporations in developed countries, the developing world is rising in prominence in the online marketplace, particularly Asia and Oceania. This region saw its share of export volumes for small packets, parcels and packages increase in tonnage from 25.5 to 32.9 per cent during the 2011-2014 period alone.

The Post contributes to e-commerce development in the developing world by connecting people to markets, notably businesses in remote areas typically excluded from the global marketplace, says Paul Donohoe, e-services programme manager at the UPU. Postal operators not only serve as delivery gateways but can also provide solutions including financial services.

"By using information communications technologies or ICTs to bring the world's market to these rural and remote communities, we can actually significantly contribute to the reduction of poverty," he says.

## B2C E-Commerce Index

Four key indicators:

- Internet access
- Credit-card penetration
- Presence of secure internet servers
- Percentage of people with home mail-delivery



*E-commerce needs new handling (Photo: William Iven)*

### **Uncertainty**

But e-commerce also poses challenges for the economies of developing countries, including the potential shuttering-up of brick-and-mortar retailers that are unable to compete in the digital world.

"E-commerce in that sense is transformational and there will be both winners and losers," says Torbjorn Fredriksson, chief of UNCTAD's ICT analysis section and lead report author.

He noted that several unknowns exist that governments must grapple with. For example, how will small, local enterprises benefit compared to multinationals, such as Amazon? Also, what will be the net impact on employment levels, quality of work and remuneration? And how will taxes be collected from foreign e-commerce companies located abroad?

Challenges include the fact that major platforms and payment gateways often restrict people in developing countries from taking full advantage of global e-commerce opportunities. For example, a small Sri Lankan business may open a PayPal account to send money outside of the country but cannot receive funds from outside Sri Lanka.

Regardless of these uncertainties and challenges for businesses and governments in developing countries, there are strong incentives for consumers to shop online, said Fredriksson.

"Online commerce often provides [customers] with greater choice and often lower prices, and also more convenience in the sense that they can shop whenever they want, instead of when the shops are open," he

added. And that means that governments will need to be more conscious of business needs.

"The challenge for governments here, I think, is to find policies to make the business sector as able as possible to seize these opportunities," says Fredriksson.

### **E-commerce readiness**

The B2C "e-commerce readiness index" of 132 countries is designed to allow countries to assess their relative strengths and weaknesses. Luxembourg, Norway and Finland are the top three worldwide. Among developing economies, the highest ranked on the index are Korea, Hongkong (China) and Singapore.

The results reveal important variations at the regional level. Performance of e-commerce in Africa suffers from low levels of internet access, according to the report, while Latin America, the Caribbean, Asia and Oceania require significant improvements in postal services.

The inclusion of postal home delivery in the index reflects its crucial nature in e-commerce development, but competing modes of delivery have also been expanding. Competition is likely to increase as more private sector players seek a share of the growing e-commerce marketplace. But the universal approach of the postal system makes it crucially important for inclusive growth. A case study in the report describes how e-commerce companies in Viet Nam are using fleets of motorbikes for deliveries, thereby "circumventing inadequate infrastructure and postal services".

Bypassing the postal service is actually quite common in countries where designated operators respond

inadequately to the e-commerce market, says Donohoe. But private solutions, like private fleets of motorbikes, tend to be limited in scale as deliveries outside of urban centres become unaffordable for the e-commerce company. Policymakers should think about the postal operator as integral to their e-commerce strategies, so that universal postal infrastructure develops at the same pace as other elements of e-commerce, including internet access and e-transaction laws, adds Donohoe.

Universal addressing and postcodes are also highlighted in the report as important aspects of postal infrastructure that should be developed in tandem with a national e-commerce strategy. The report notes how one pizza company in Nairobi, Kenya, “saw a need to individually map and label every apartment, office complex and home in its delivery radius in order to locate buyers and to be able to guarantee delivery within a certain time”. But such arrangements can result in fragmented, proprietary systems that fail to encourage new entrants into the e-commerce marketplace.

“It really reinforces the importance for governments to think about addressing and postcodes as vital elements of the development of e-commerce in their economies,” says Donohoe.

#### **Building trust**

Social-media usage has reached relatively high levels in many developing countries. For example, in Indonesia, which has the fourth largest population in the world, about 25 per cent of the population is online, according to the report. And of those who go online, almost 90 per cent have a social-media account. But the uptake of e-commerce in many countries has been relatively modest. In Indonesia, internet retail sales represented less than one per cent store-based retail sales in 2013.

That reluctance is explained partly by a lack of confidence in the security of online transactions, says Fredriksson.

“One of the ways to strengthen the trust and build confidence is to have a legal framework in place,” he says.

There is a need for legislation especially in developing countries, according to the report, which surveys the presence (or absence) of such legislation around the world. For example, only one in ten transition economies has legislation for online consumer protection. Adopting laws and regulations that protect online consumers, combat cybercrime and protect data are said to be essential for the sustainable growth of e-commerce.

But countries need to go beyond legal reform by also tackling the complex problems of enforcement, which are often compounded by a lack of understanding and awareness among lawmakers and the judiciary.

Moreover, trusted forms of payment are needed for e-commerce to develop successfully. Credit cards account for most settlements of retail transactions in industrialized countries, according to the report, but other forms have emerged in developing countries, including cash-on-delivery and stored value cards or “e-wallets”.

#### **Holistic approach**

The report stresses that there is no “one size fits all” formula for developing a national e-commerce strategy. But it provides guidelines meant to help leaders understand the multiple factors at play so they can adapt the policy recommendations to their own national situations.

Formulating a national e-commerce strategy must involve various ministries, along with the private sector and agencies including the Post and Customs, according to the report.

“There are a number of issues to be brought to the fore, so that you look at it from a sort of holistic perspective,” says Fredriksson.

And with the Post at the centre of these changes, designated operators should play an important role in advising governments undergoing these transformative changes. **DK**

## Case study: Korea Post’s safe food delivery

The Post is mentioned for its contributions to rural e-commerce development in Korea in the UNCTAD report. In rural areas, Korea Post has emerged as a “safe distribution channel” for foods – primarily of fish, fruit and vegetables by connecting rural producers directly with consumers nationwide, particularly in urban markets.

The Post not only invested in fresh food handling capabilities, including cold storage boxes, but also developed quality verification standards, so that people could trust that goods being delivered by the Post

were meeting high standards, says Donohoe. The UNCTAD report states that “nine small and medium-sized rural enterprises have achieved more than 1 billion KRW (0.8 million USD) in annual sales through the postal distribution channel”.

The success of the programme was a result of several factors, according to the report, including the public trust already enjoyed by the Post as a government agency. Other factors included “strict quality control, reasonable prices and quick and accurate delivery”. **DK**



# Post aims to reach more Indonesian unbanked

Preparations are underway at Pos Indonesia to open a postal savings bank on a financial-inclusion project aimed at empowering hundreds of millions of Indonesians.

**TEXT:  
CATHERINE  
MCLEAN**

Home to 254 million people, Indonesia has an unbanked population of more than 60 per cent, according to the World Bank. Under the new pilot project, savings accounts will initially be available at 100 of Pos Indonesia's post offices nationwide, after which the network will "gradually" be expanded. By 2020, the aim is to provide savings accounts at 3,800 post offices. With support from the Indonesian government, it is hoped that the ambitious project will lead to poverty reduction. If all goes to plan, the postal savings bank will be launched before the end of 2015.

"We are sure that Pos Indonesia has a significant role to play in promoting financial inclusion," says Hertadi Iman Santoso, financial business development manager at Pos Indonesia.

Santoso says the new bank is a unique opportunity for Pos Indonesia to stay competitive and keep up with consumers' changing needs. The Post plans to offer student savings accounts and social-welfare payments.

"Our national network of post offices and postal agencies will enable the inclusion of more people in the financial system," he adds.

Nevertheless, the Post has a lot to do to prepare for the project, including developing a core banking system. The country's laws also need to be revised, a process that should not be underestimated. Under the new pilot project, initiated by BAPPENAS or the State Ministry of National Development Planning, the postal savings bank

will operate as a commercial bank, offering interest on savings accounts. To do so, however, the National Postal Law and Banking Law will have to be reviewed and amendments introduced.

The amendments will focus on expanding oversight of the new postal savings bank to the Financial Service Authority and the Ministry of Communication and Information Technology. The banking law also needs to be changed so that Pos Indonesia can operate a commercial bank. Under current laws, the postal operator is barred from offering interest on accounts. Until the laws are changed, the Post will compensate customers for the interest through gifts and merchandise, according to Santoso.

Crucially, the postal operator already has experience with financial products. Pos Indonesia has long-standing partnerships with banks BTN and Bank Muamalat through which it offers savings accounts. While the savings accounts are co-branded, the bank owns the services.

The postal operator also has agreements with governmental institutions to distribute social welfare funds and pension payment benefits for retired civil servants and military officials, along with improved operation funds for schools. Its "Pospay" online payment system lets people pay bills for more than 100 organizations, including banks, water companies, the government, universities and cable TV.



The Post is hoping to reach people in parts of Indonesia the banks cannot reach (Photo: IFAD/Roger Arnold)

### Varied services

Thanks to its wide array of existing postal and financial services, people are already very familiar with Pos Indonesia and trust the postal operator, Santoso says. This should aid the postal operator in the challenging task of reaching out to the unbanked, whether it's individuals, households or even small firms.

"The financial sector has been growing fast, but the government believes there is still much to be done with regard to enhancing fair economic development in terms of geographical distribution," Santoso explains.

Pos Indonesia has also created a domestic remittance system, featuring an electronic money order dubbed "Wesel Instant" that allows people to quickly send or receive funds. As for international remittances, Pos Indonesia has partnerships with other postal operators, Western Union and private and public banks.

Geography poses one of the biggest hurdles in terms of financial inclusion, according to Santoso. While just over half of Indonesia's citizens live on the island of Java, the rest of the population is spread out across the large archipelago. Roughly 6,000 of the country's 17,508 islands are inhabited.

The banks in Indonesia typically focus on the largest cities, leaving the rest of the population with limited

access to financial services. Pos Indonesia, in contrast, has a far-reaching network of postal offices, and is present in many areas where there are no banks.

Geography, however, is not the only obstacle. Fees for banking services may be too high for some people to pay, while complex terms and conditions may discourage other potential clients for financial services, Santoso explains. As a result, many people may prefer to store their money at home or to invest in an asset, such as a home, gold jewellery or land.

The hope is that more of these people will be reached through the introduction of new players in the financial sector, such as Pos Indonesia, and a greater variety of financial solutions. BAPPENAS will be in charge of examining any regulatory issues, defining the business model and measuring the market reception. Pos Indonesia will develop the infrastructure for the postal savings bank.

Pos Indonesia plans to initially offer the new savings accounts through an agreement with BTN and Bank Muamalat, although the postal operator will choose the locations for its own banking branches. It will later evaluate the cooperation to decide how to go forward.

"It is the one that keeps innovating that will be the winner," Santoso says. **CM**





## AUSTRALIA

**WESTPAC** customers now enjoy the option of receiving financial statements and other communications through **AUSTRALIA POST**'s Digital Mailbox, following a partnership between the two companies. Westpac is the first major bank in Australia to sign onto the Post Digital Mailbox.

## AUSTRIA/TURKEY

**THE AUSTRIAN POST** is set to expand its operation in Turkey by increasing its stake from 25 to 75 per cent in **ARAS KARGOS**, a Turkish parcel delivery company. The Post is expected to pay 100-150 million EUR in cash for exercising a call option. Aras Kargos has annual revenue of about 280 million EUR.

## BELGIUM

**BPOST**'s first quarter revenue for 2015 slumped 1.6 per cent to 616.6 million EUR, with a decline in mail volumes constituting a real challenge. Overall, bpost witnessed a strong performance in parcel transactions, with domestic parcel volumes up 10.2 per cent, thanks to e-tailers. Stable net profit climbed to 87.3 million EUR.

## CANADA

**CANADA POST** reported a pre-tax profit of 269 million CAD in 2014 compared to a loss of 58 million CAD in 2013. The turnaround is attributed to strong growth in the parcels business, lower employee benefits costs and new pricing measures for transaction mail.

## CHINA

China's e-commerce giant, **ALIBABA**, has reported a strong quarter (fiscal year 2015) with revenue growth of 2.8 billion USD, up 45 per cent year-on-year, partly attributed to a 157 per-cent increase in gross merchandise.

## CZECH REPUBLIC

Declining profits have prompted the **CZECH POST** to franchising and turning 2,500 local post offices of the country's 3,200 branches into local partners. The remaining 700 branches will continue to be run directly by Czech Post.

## DENMARK/SWEDEN

Nordic e-commerce for the first quarter of 2015 recorded an increase of 36.5 billion SEK in the Nordic region, up 7 per cent on the same period last year. Denmark accounted for the biggest share of online shoppers, surpassing Norway in the proportion (76 per cent and 75

per cent respectively).

**POSTNORD** has reported a strong performance in e-commerce despite declining mail volumes. For the first quarter of 2015, net sales were 10.03 billion SEK and operating income stood at 312 million SEK. The strong performance is attributed to the company's restructuring programme. Mail volumes slumped 7 per cent year-on-year, with a drop of 15 per cent in Denmark and 5 per cent in Sweden.

## ESTONIA

Rural dwellers in Estonia can now make cash withdrawals from their bank accounts through a new service provided by **EESTI POST**. The service involves mail carriers using portable card payment terminals to allow customers withdraw cash of up to 400 EUR using their bank cards.

## FINLAND

**POSTI GROUP** has sold a 130,000 square-metres property portfolio to Norwegian real estate investment firm **NESS RISAN & PARTNERS** for 120 million EUR to release capital for investment. The portfolio sold consists of postal centres in Tampere, Oulu and Kuopio, together with a warehouse in Tuusula and a freight terminal in Pirkkala.

The Post is set to shed 380 permanent jobs as part of its cost-cutting and restructuring process that will allow the company to divert to post offices run by retail business partners. The changes will be carried out over the period 2015 – 18. It has also sold its Scandinavian road freight business operations to Danish Nordic Transport Group as part of its strategy to improve the profitability of its logistics business operations.

In Posti's first quarter of 2015, group operating results rose to 20.5 million EUR, with net profit jumping to 15.9 million EUR. Sales dropped to 435.9 million EUR, attributed to declining mail volume and stiff competition in the logistics business.

## FRANCE

France has launched a free national address database or BAN to reference addresses in the French territory. BAN contains 25 million geographic referenced French addresses at: [adresse.data.gouv.fr](http://adresse.data.gouv.fr). It was created from the address databases of **LA POSTE**, enhanced with contributions from various national players.

Individuals, companies and local governments can use the service to download address files.

## GERMANY

**DHL** has partnered with **DEUTSCHE ANNINGTON**, a major German housing company, to install parcel boxes in its apartment blocks in selected locations in Berlin and Dortmund. The initiative involves fitting parcel lockers in buildings and is free for residents to use. Delivery staff deposit packages in the lockers and recipients can receive them at any time.

**DHL PARCEL**, **AMAZON** and **AUDI** have partnered to introduce a new pilot project in Germany that lets car owners use their cars as mobile delivery addresses to receive their parcels. Online shoppers place orders on Amazon, inform DHL delivery agents of the exact location of their cars and the package is delivered directly to their Audi trunk.

## INDIA

**AMAZON INDIA** now delivers goods to customers in 100 cities across India on Sundays and plans to extend the service to more cities. Sunday delivery is provided to residential addresses at no extra cost and only for goods sold by Amazon. The company joins the ranks of Flipkart that began offering Sunday delivery services in 2014.

## IRELAND

**AN POST** has partnered with **ULSTER BANK** to provide personal and business customers certain banking transactions through its post network in 1,140 locations around the country. Ulster Bank customers can make cash or cheque deposits or pay their card bills with debit cards or cash in any post office nationwide.

The Post is back in the black with a profit of 5.9 million EUR in 2014, compared to a loss of 11.4 million EUR in 2013. Group revenue rose to 820.6 million EUR, while operating costs dropped to 814.7 million EUR. The strong performance is attributed to an increase in postal charges.

## ITALY

**POSTE ITALIANE**, which is scheduled for privatization, recorded a slump in operating profits from 1.4 billion EUR in 2013 to 691 million EUR in 2014. Net profit plunged from 1 billion EUR in 2013 to 212 million EUR. This was attributed to the one-off costs of its transformation

programme. Revenue grew by 11 per cent to 29 billion EUR.

## JAPAN

Regulators in Japan have approved **JAPAN POST**'s proposal to acquire Australia-based logistics company, **TOLL GROUP**. The takeover is aimed at expanding Japan Post's international parcel delivery business and positioning it as a leading global logistic group. The takeover is expected to increase the Post's revenue by about 30 per cent.

## LITHUANIA

**LITHUANIA POST** subsidiary, **BALTIC POST**, reported double-digit delivery volume growth of 17 per cent in the first quarter of 2015, thanks to its self-service parcel locker network, **LP EXPRESS 24**, which saw volumes surge by 2.5 times. This pushed the company's revenue up 26 per cent and it now claims a 19.5 per cent share of Lithuania's courier market.

## NEW ZEALAND

**NEW ZEALAND POST** has partnered with New Zealand's **ACCIDENT COMPENSATION CORPORATION** to launch a road safety initiative for motorcycle delivery staff. The initiative offers specialised training for motorcycle delivery staff, allowing them to advocate for road safety, particularly as more parcels are being delivered on motorcycles.

## NETHERLANDS

**POSTNL** has reported an increase in first-quarter revenues of EUR 1.05 billion, up from 1.03 billion EUR last year. PostNL reconfirmed its full-year 2015 underlying cash operating income of between 280 million and 320 million EUR.

## NORWAY

**POSTNORD** has fortified its position in the Norwegian market by acquiring 100 per cent of the shares in **JETPAK BORG**, a transportation and logistics firm. Jetpak Borg offers tailored solutions for night-time deliveries to car dealers, repair shops and related industries in Norway.

## SINGAPORE

**SINGPOST**, the national postal operator of Singapore is launching an end-to-end e-commerce platform to enable small and medium size enterprises (SMEs) to begin or expand their online business. The service, known as ezyCommerce, will automate the order fulfil-

ment process and enable SMEs to outsource their inventory management and order fulfilment.

The Post has partnered with insurance firm, **AXA**, to sell general insurance policies at its post offices to provide a more "seamless, integrated experience" to its customers. The new insurance services are part of Singpost's transformation programme to cope with declining letter volumes, diversify its revenue sources and provide a more digital experience to its customers.

The Post has partnered with **PT TRIKOMSEL OKE TBK**, a leading distributor and retailer of mobile phones in Indonesia, to tap the fast-growing e-commerce market in Indonesia. The two companies agreed to create a joint venture in Indonesia, with Trikomesel taking a 67 per-cent share and Singpost's SP eCommerce subsidiary owning the remaining third.

## SOUTH AFRICA

**THE SOUTH AFRICAN POST OFFICE** has concluded a three-year strategic plan to rescue the organization from its current crisis. The plan envisages 5,065 job cuts, with new roles to be created. The aim is to turn the loss-making the Post into a customer-centric company running commercially-viable businesses and fostering sustainable growth.

## SWITZERLAND

**SWISS POST** recorded a strong performance in 2014 attributed to lower tax expenses and cost-cutting measures. Its group profit totalled 638 million CHF, up 1.9 per cent year-on-year, while operating income fell by 1.4 per cent to 8.457 billion CHF. Operating profit margin decreased from 10.6 per cent in 2013 to 9.5 per cent in 2014 due to additional portfolio impairment charges.

## UNITED KINGDOM

**ROYAL MAIL** is expanding its new international tracked and signed delivery services to businesses and individuals to 53 destinations globally. The aim is to enable online retailers to meet efficiently the delivery needs of overseas shoppers, who order goods from the UK. The availability of the tracked service was extended to 39 countries worldwide.

Royal Mail now delivers parcels to neighbours if the intended recipients are not home to receive them. The aim is to boost first-time

delivery rates rather than taking back the items to delivery offices. The initiative requires that customers nominate a neighbour close to their address to receive the parcels in their absence.

The **EU COMMISSION** has approved UK funding plans to grant 640 million GBP to the **POST OFFICE LIMITED** for supporting public services. The package is said to be in line with EU state aid rules of covering only the additional costs of **POST OFFICE LIMITED** in achieving its public service mission.

## UNITED STATES

**UPS** is rolling out its *On-Road Integrated Optimization and Navigation* (ORION) technology on 70 per cent of US routes in 2015. The technology is expected to reduce the distance covered by its drivers by 100 miles annually from 2016 when fully implemented and will lead to a 100,000-tonne reduction in carbon-dioxide emissions.

**FEDEX** has reported a quarterly profitable growth during the crucial peak holiday season, with net earnings soaring 53 per cent to 580 million USD compared to last year, and revenue totalled 11.7 billion USD, up 4 per cent. The strong performance is thanks to the corporation's growth in ground shipments and falling fuel prices.

**THE US POSTAL SERVICE** ended the second quarter of fiscal 2015 with a net loss of 1.5 billion USD compared to the net loss of 1.9 billion USD recorded in the second quarter of 2014. Operating revenue increased to 223 million USD over the same period a year ago, attributed to a 14.4 per-cent growth in shipping volumes.

*All items by Emmanuel Duh*

# Quality information from innovation



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