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MARCH 2011

N° 1

UNION POSTALE



Universal Postal Union,
a specialized agency
of the United Nations

.....
IFAD president on
remittances

E-substitution's
many faces



Clipping the wings of revenue loss

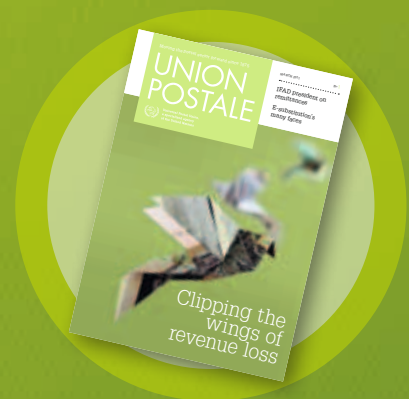
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March 2011

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 and features international news and developments within 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. The colour publication is distributed to Posts around the world from our 191 member countries, including thousands of decision-makers, who regard it as an important source of information, as well as postal stakeholders.

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

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in brief

Quality of service

GMS participation rises

An additional 33 countries have recently joined the Global Monitoring System (GMS), the UPU's quality of service measurement system. This brings the total number of participating countries to 51 since the system was first launched in 2009. GMS uses radio frequency identification technology to primarily measure the quality of letter-post services on the inbound stretch.

Lower costs

More than 25 new members were able to individually save tens of thousands of US dollars on joining costs. This was due to a special agreement between the UPU and the United Nations Development Programme (UNDP). This ensures that purchased equipment is exempt of taxes in the receiving country. The UNDP supervises logistical matters, such as customs clearances and delivering equipment to the installation site.

Satisfied user

Malaysia decided to sign up to GMS during its inaugural year. "Before we joined, we were doing manual monitoring and testing of the service performance of inbound international mail. We thought we were

doing well but the manual testing system did not really measure end-to-end and was not independent," said Pos Malaysia's Chum Choy Han.

And GMS delivered on its promise to help countries improve quality of service. "The first results showed that we were not as good as other countries. We then worked with the GMS team on areas to improve. The

good thing about GMS is its very robust diagnostics. It was a great help to know why and where we did not perform and how we could address those areas of service failure," Han added. **FM**



New members include Japan, Botswana, Kenya and Bangladesh Illustration: Beat Felber

 **GMS animated film:**
<http://www.tinyurl.com/gmsfilm>

The figure

30 billion

This is the estimated amount in USD being lost by Posts annually through not protecting revenue streams.

Editor's note

Times are hard. Mail volumes are down, competition from other players is on the increase in certain markets and discussions have been going on for years about the *raison d'être* of the postal industry in an electronic age. In the meantime, work on the ground – led by the UPU and its Consultative Committee – is helping Posts to protect existing revenue streams. As our *Cover story* shows, this innovative approach is offering hands-on advice and best practices on what could turn into a regional road show of workshops.

The last *Editor's note* resulted in enjoyable discussions with readers about my use of the word 'skein'. Thanks in particular to Rodger McGowan, who wrote: "I can recall my old grandmother buying skeins

of wool but I can't fathom the relationship between my grandma's length of yarn or wool and the context in which you use the word." I explained to Rodger that my intention was to invoke a complicated situation with many intertwined strands. I may have succeeded. "See how *Union Postale* can teach even an old dog new tricks," he replied on the eve of his retirement from Australia Post after 50 years of service.

As befitting a magazine that is 135½ years old, it was time to give *Union Postale's* cover a gentle face-lift. The new design boasts a new, fresher typeset for the magazine's title and has a more flexible layout, making it easier to highlight our other stories.

Faryal Mirza, Editor-in-chief



Getting faster and faster Photo: Correios

EMS

Express customs clearance on the way

The UPU's EMS Cooperative has launched four pilot projects to speed up customs clearance of express mail and improve delivery times. The projects will take place in Brazil, Portugal, Togo and Tunisia.

Each project has three phases. The first educates businesses and customers about customs formal-

ities. The second clearly defines how the postal operator and Customs will improve import customs clearance. The final phase will ensure that EMS items are tracked and traced to evaluate progress.

Currently, items can be held in Customs for over 24 hours due to lack of information, suspicious con-

tent or unpaid import duties. Such delays can have a knock-on effect on delivery times. Tunisia Post estimates that up to 20 per cent of the 20,000 EMS items it receives each year are kept temporarily by Customs. "They store them in special areas for in-depth controls. The customer may be called in or the item sent to another customs centre before delivery to the addressee," says Khaled Abid, the Post's Rapid-Poste network's director.

As coordinator of the Tunisian pilot project, Abid says the new rules will be communicated to business clients and customers at post office counters. "We will also work with Customs to redefine the regulatory holding periods," he adds.

The first results of these pilot projects will be presented to the EMS Cooperative's general assembly in May 2011. The objective is to share resulting best practices so that other operators can follow suit in streamlining their customs clearance procedures.

The Express Mail Service or EMS is the fastest postal service and is offered by 163 countries. ▀

in brief

International Bureau

Strategy starts to take shape



Pondering the road ahead

Photo: Yasuyoshi Chiba (EPA/keystone)

The UPU International Bureau's strategic planning and economic and regulatory affairs departments joined about 10 member countries in February to hash out the Union's next strategic blueprint.

Participants in Madrid, Spain, streamlined the number of goals contained in the original draft document from six to four. The new goals are: improving the interoperability of postal networks; providing postal technical knowledge, competence and expertise; promoting innovative products and services; and fostering the postal sector's sustainable development. They will be presented to the Postal Operations Council (POC) in April.

A first draft of the global strategy was presented to the Council of Administration (CA) last

November. The POC will now scrutinise a more substantive version of the document. After the POC, the global strategy will then be discussed at a series of regional round tables, where regional stakeholders, including the UPU's restricted unions, will add their input and regional priorities.

Future roadmap

Once formally adopted at the next Universal Postal Congress in Qatar in 2012, the Doha Postal Strategy will become the UPU's 2013–2016 strategic roadmap. Participants in Madrid examined the former world postal strategies (Beijing, Bucharest and Nairobi) to analyse their strengths and weaknesses. They also looked at the context and trends of today's postal sector. "We

were able to build bridges between the past and the future," said Elena Fernandez, chair of the strategy implementation group.

Fernandez added that discussions focused on how to better align the UPU's various programmes, aimed at helping to achieve the strategy, with the overall goals of the roadmap.

Working closely together

The close participation in the Madrid meeting of member countries charged with looking at the reform of the UPU was also welcomed. Participants were able to better understand the impact the proposed new strategy could have on the UPU's structure and find leads on how the organisation could be adapted to effectively implement its plans, said Murray Buchanan, the UPU director of regulatory affairs. "Strategic planning and Union reform are working closely together because the UPU has to adopt a structure that will allow it to fulfil the goals of its global strategy," Buchanan said.

To give two examples, the organisation needs better, faster and more flexible decision-making than the current structure allows, he explained. And, although there are 83 independent postal regulators in the world, the UPU does not have a platform dedicated to them.

Currently, governments are represented by the CA and designated postal operators by the POC. Other postal stakeholders are represented on the Consultative Committee but without decision-making powers. ■

Who's who at the UPU

Barcoding the world

Name Matteo D'Apice

Position Assistant, Parcels and Logistics

Programme

Department Operations and Technology

Nationality Swiss/Italian



If member countries require barcodes, it is Matteo D'Apice they turn to. Each year, 82 countries order

more than 2.4 million barcodes, which are affixed to parcels and letters and serve as an item identification number. These small stickers allow customers to track and trace their packages. "I manage the process for requesting barcodes right up to the point they are printed. After I receive the order forms, I make the necessary checks and then forward them to the billing department. Then, I send countries the bill," he explains.

D'Apice has provided logistical and administrative support in parcels since May 2006 and is in daily contact with member countries. This contact has increased since January 2010, when he started to update the Parcel Post Compendium Online. This contains operational information about the parcel services offered by 187 designated operators. To benefit from inward land-rate bonuses, operators are required to regularly provide

information through an online questionnaire.

"Parcels experts from around the world can access the questionnaire online and input their data about extra charges, public holidays or delivery standards. I make sure that the fields are properly completed, forwarding internally if additional information is needed," he adds. "Once the questionnaire responses are validated and translated, I post the files on the website. This not only saves time but also cuts down on the use of paper."

D'Apice is a familiar face among delegates thanks to his work before May 2006. For the five preceding years, he was part of the logistics team, preparing the conference rooms for the Postal Operations Council and Council of Administration. **JD** Photo: Alexandre Plattet

Financial services

African network in the spotlight

Government ministers, central bank governors, postal and economic experts from Sub-Saharan Africa have discussed financial services offered by Posts in Ouagadougou, Burkina Faso.

The February conference was jointly organised by the Pan African Postal Union, the African Union and the UPU. Promoting the UPU's worldwide electronic postal-payments network, discussions highlighted the need to connect un-

linked African citizens living in small settlements or rural areas.

Priorities

Providing migrant workers with secure, affordable money transfers is a priority for the UPU. Today, 40 per cent of transfers sent via the UPU worldwide electronic payments network are destined for people in rural areas.

The organisation is putting in place the necessary infrastructure to

extend this service into still more rural areas. Through its global network, the UPU contributes to the development of money-transfer corridors – not only from North to South but also from South to South.

According to World Bank figures, 73 per cent of Africa's migrants are currently living in more prosperous neighbouring countries. The World Bank also estimates that money transfers in Africa are worth 54 billion USD a year. **JD**

in brief

Partnerships

GS1 and UPU sign up for a new era



The sky's the limit at the GS1 HQ

Photo: GS1

An agreement with GS1, an international not-for-profit organisation developing supply-chain standards, will help the UPU boost its own

technical standards. Strengthened standards are necessary with e-commerce and radio frequency identification (RFID) becoming ever more central to postal activities.

The agreement, signed in December 2010, enables the signatories to further develop their standardisation activities and define a joint programme of norms for the postal sector. One main objective is to help Posts make efficient use of Electronic Product Code or EPC technology, an RFID-based automatic product-identification system. GS1 has already provided support to the UPU's Global Monitoring System, which uses the Electronic Product Code Information Services or EPCIS standard.

"This agreement paves the way for efficient data transmission throughout the supply chain, particularly for e-commerce, an area

in which Posts are ever more active," said Edouard Dayan, the UPU's director general.

"GS1 will work with the UPU and operators to provide postal customers with reliable data on mail items and other e-commerce services via their mobile phone or in other ways. GS1 standards will guarantee the compatibility, upgradeability and viability of the applications offered by Posts," said Miguel Lopera, GS1 president and CEO in Berne.

GS1 designs and implements global standards and solutions to improve efficiency and visibility in supply chains. It has local member organisations in 108 countries. Some 1.3 million companies execute in excess of six billion transactions using GS1 standards in 150 countries daily. **JP**

UPU Convention

Yes to lithium batteries

An important UPU vote has paved the way for Posts worldwide to transport some equipment containing lithium batteries from October 2011. Member countries overwhelmingly voted in favour of changing international mailing rules to allow Posts to do so.

The UPU Convention currently classifies lithium cells and batteries as dangerous goods prohibited from travelling in the mail. Changing the Convention is normally done at the Universal Postal Congress, held every four years, gathering the plenipotentiaries of the UPU's 191 member countries. The next one will be in Doha, Qatar, in 2012.

But, according to UPU procedures, changes can be made between Congresses if at least 50 per

cent of its member countries vote on proposed amendments and two-thirds approve the changes. One hundred and six member countries voted in favour of the changes. It is the first time in UPU history that significant changes have been made to the Convention in between Congresses.

Country initiative

Japan, which initiated the proposed changes, welcomed the vote results in the light "of the expanding cross-border e-commerce market facilitated by the Internet", according to its Post's president and CEO, Shinichi Nabekura. The change will enable Posts worldwide to better meet customers' shipping needs, he added.

As a result of the positive vote, two Convention articles dealing with letter-post and parcel-post regulations will be aligned with new packaging instructions by the International Civil Air Organization (ICAO) to allow personal equipment carrying fewer than four cells or two batteries to be shipped by air.

The UPU changes will be presented to ICAO's dangerous goods panel in April 2011 so that the organisation's own technical instructions can be harmonised with the UPU's new rules. The rules are expected to come into force on October 1, 2011, almost one year before the 2012 Doha Congress. **RL**

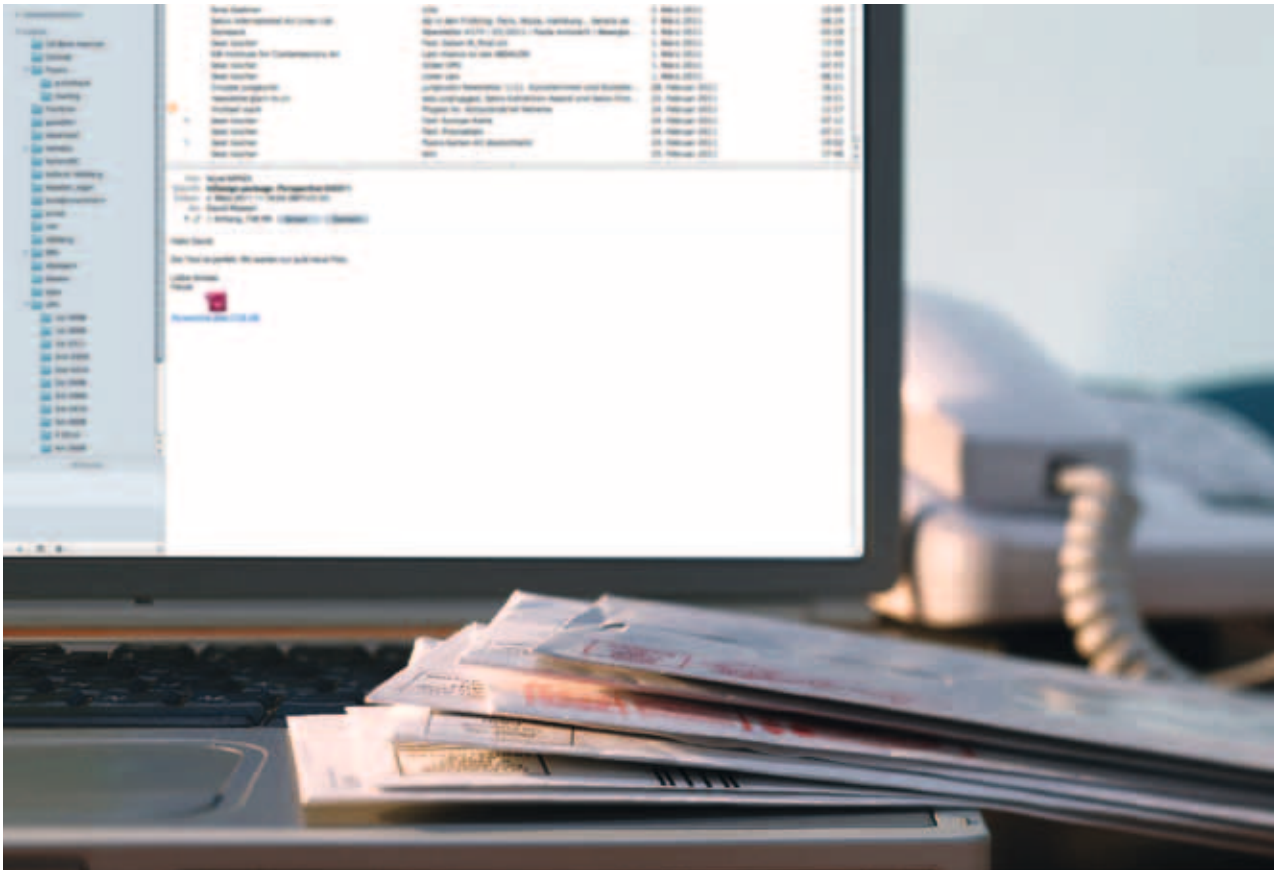
Electronic substitution: a shifting story

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Nearly all Posts would agree that the email era has been a game-changer for the business. But what shapes and sizes does electronic substitution come in?

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**By
Tobe Freeman**





When Heikki Nikali of Finland's Itella began studying electronic substitution of letter mail in the 1990s, conventional wisdom said that substitution would proceed as a single, steady wave of progress. Early on, Nikali revealed that things were more complicated than this simple prognosis implies. Fast forward to the UPU Mail and Express Economics Forum in November 2010 and a wealth of evidence that substitution proceeds in fits and starts, relies on a menagerie of different technologies and is driven by the distinct preferences of mail senders and receivers.

There is little doubt that electronic technologies pose a threat to letter mail. Nikali expects overall letter volumes in Finland to decline by 40 per cent in the coming decade and argues that this forecast could apply to many developed countries around the world. A veteran of nearly two decades of rigorous research on the topic, Nikali is focused on the practical task of providing guidance to Itella's business managers.

Impact size

A major challenge is to distinguish between the effects of electronic substitution and the impact of other factors on letter volumes, for example the general level of economic activity. Certainly, the business cycle has an impact on letter demand. Consider commercial mail users as an example. Many firms cut direct marketing budgets during recessions and direct mail makes up a sizable share of the letters sent to private individuals.

Yet, according to Frank Rodriguez of OXERA, an economics consultancy, forecasts that rely too heavily on economic data have become progressively less reliable. Analysing data from Royal Mail, Rodriguez finds that letter volumes and economic activity up until 2002 were highly correlated. However, between 2002 and 2007, letter volumes at the British postal operator declined during a period when the overall economy

performed strongly. Observations such as this have prompted some to ask whether the relationship between macroeconomic factors and total letter volumes has broken down completely.

Rodriguez claims that the technologies replacing letters can disrupt this relationship in unpredictable ways, making forecasting difficult. To confront this challenge, he analyses, separately, individual volumes of first and second class mail and different types of mail content. This breakdown of the data enables better forecasting of electronic substitution for invoices and other transactional business mail. And it has yielded a better understanding of the shift from direct mail to online marketing.

Closer interaction

Substitution of letter mail by online marketing is the special interest of Jonathan Margulies of Winterberry Group, a marketing consultancy. Margulies estimates that United States' spending on direct mail declined almost 17 per cent in 2009. This slide came despite perceptions among marketing executives that direct mail is more effective than online display advertising, television and radio placements.

According to Margulies, marketers are drawn to electronic channels by the promise of closer interaction with their target audience. He predicts rising investment in social media and mobile marketing applications, where coupons and other marketing messages can be delivered to smart-phone users when they arrive at particular locations or perform specific online-search queries.

Direct mail is not entirely on the losing end of these developments. The evolution of online marketing has brought vast improvements to marketing metrics and the strategies used to target customers. Margulies believes that these improvements feed back to the



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Try sending this by email. A direct-marketing campaign for a small car by Tequila, Australia, went to innovative lengths to catch consumer attention.

practice of direct marketing and may ultimately strengthen the business case for direct mail.

Not what it seems

The idea that new technologies simply replace letters is deceptive, according to Nikali, and measuring substitution in terms of a direct decline in letter volumes can be misleading. In the 1990s, letters accounted for 60 per cent of all messages in Finland written to a specific individual. Now this figure is estimated at 10 per cent. Thus, the contribution of letters to the total volume of targeted communication has plunged, even if demand has not declined so dramatically. "That is one of the reasons why substitution is difficult to understand and even more difficult to measure," Nikali explains.

To pin down how letter demand will evolve, Nikali identifies specific market-conditions that have the effect of speeding up or slowing down electronic substitution. Substitution in Finland has not progressed evenly across the various sender and receiver segments. The pervasive spread of email has contributed to steady substitution in the communication between private individuals. And business-to-business transactional mail has also been digitised to a substantial degree.

Getting started

Yet, according to Nikali, substitution of mail sent from businesses to consumers (B2C) has barely begun. He supports this prediction with evidence that consumers and businesses have very different preferences when

they communicate with each other. Businesses are highly sensitive to price, readily substituting one service for another if substitution leads to a reduction in cost. Consumers, on the other hand, are motivated by factors beyond price. In particular, consumers place special value on the practicality of the service, its ease of use, trustworthiness and reliability.

If these preferences have slowed electronic substitution in the B2C segment, Nikali predicts that the situation will not remain static. Eventually, consumers are likely to embrace electronic transactions with businesses, leading to a future wave of substitution within this segment.

Amid the hype about electronic communications, managing letter services today might seem like arranging deck chairs aboard the Titanic. But reliable forecasting is essential for the normal operation of Posts, and letters remain socially and economically important even as communications have become increasingly digital. More importantly, research into electronic substitution offers an insight into the future of targeted communication.

Tobe Freeman is a marketing-communications specialist based in Zurich, Switzerland.



Revenue protection takes centre stage

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The global letter-post market could be haemorrhaging up to 30 billion USD annually by failing to protect its postage revenue streams properly. The UPU and its Consultative Committee's first regional workshop aimed to help Posts stem losses.

.....
By
Faryal Mirza

.....
Graphics:
Die Gestalter

Posts around the world could be losing tens of billions of US dollars a year by not collecting all the postage revenues due to them. "Revenue leakage is a reality and it would be very important for the Post to identify the risk areas and the extent of leakage," says Jane Prasad, India Post's director of postal accounts in Tamil Nadu. The main sources of such losses include: counterfeit (such as illegal stamp issues or fake imprints); bypass mail (mail accepted without any form of payment); short-paid or underpaid mail (insufficient postage); and other problems related to billing and postage collection (such as bad cheques).

Jean-Philippe Ducasse, chair of the Consultative Committee's (CC) revenue protection working group, states that revenue leakage can vary from one country to the next. He cites an estimate by the business consultancy, Adrenale Corporation, which valued the global letter-mail market at 300 billion USD annually. "Our own figures show that lost revenues account for 5 – 10 per cent of this total," Ducasse says. Created at the end of 2008, the joint postal-private working group is helping Posts to reduce leakages. It promotes solutions that improve operational and accounting processes and encourages the use of cost-effective technologies. "It is very difficult to say exactly how much revenue is lost but if you consider that world mail volumes are declining or are at best flat, being able to recoup even five per cent would be very helpful to Posts to offset volume decline," he adds.

The working group's figures were collected in 2009 in a survey answered by 115 UPU member countries. Nearly 75 per cent admitted to experiencing leakage of postage revenues to a certain degree and Posts from all regions were affected. Ducasse prepared a white paper based on the findings, which explored ways of helping postal operators deal with revenue protection. Published in 2010, its foreword leaves readers in no doubt as to the topic's seriousness. "Global revenue protection issues know no boundaries, affect Posts large and small, have a negative impact on mailers and jeopardise the ability of designated operators to maintain reasonable rates in support of universal-service obligations," wrote William Gilligan, the then chief postal inspector of the United States Postal Inspection Service.

No Post could afford to ignore revenue leaks, according to the paper. "In a context of depressed mail volumes, it is vital that Posts put in place the right mix of technologies and processes to make sure they collect all postage revenue owed to them," Ducasse wrote. The survey results forming the paper's backbone had shown that some Posts were struggling to do just that. Part of the proposed solution was to organise workshops where designated operators could benefit from private-sector experience.

Milestone training

The CC's first regional workshop on revenue protection took place in November 2011. Open to Asian member countries, the meeting in Bangkok, Thailand, was



attended by 36 participants from 19 nations. Over three days, they learnt about the main sources of leakage and how to mitigate them. Three UPU directorates had been active behind the scenes: technology, markets and cooperation and development (DCDEV). DCDEV ensured a good mix of Asian delegates by funding participants from least developing countries. The Asian Pacific Postal College – the training arm of the Asian Pacific Postal Union, a UPU restricted union – was the conference’s host, taking care of logistics and delegates.

Ducasse was there too. “Discussions showed that, in many countries, revenue risks, in contrast with other enterprise risks, are not yet properly measured and mitigated. Posts, however, are working to close that gap – hence their interest in targeted information about new products, projects and training materials,” he said. India Post’s Jane Prasad was among the delegates. “India Post has a huge network and is a large employer. The varied types of services offered present a challenge to the management in detecting revenue leakages,” she said.

Delegates quickly realised that, conceptually, the issue at stake required a novel approach. “We discussed in the workshop that revenue protection is not like other corporate functions like strategy. It is a transversal issue that involves people in many departments like accounting, finance, marketing and IT,” Ducasse said. According to the working group’s knowledge, operators with

a dedicated revenue-protection function are few and far between. “For such a function to exist, there first has to be a CEO or a very senior person recognising that revenue protection should be addressed as a separate issue involving people from different departments,” Ducasse says. “Some postal operators are better at protecting their revenues than others because they are better at identifying and measuring risk. In terms of implementation and finding answers, some Posts are also more advanced than others,” he adds.

Understanding processes

All presentations were well-received at the workshop but one resonated particularly well with the audience. It was on the so-called 4Ps, which focus on four operational elements for protecting revenue: products; processes; people; and plans. “It was of immense practical value, guiding organisations towards cost effectiveness based on their priorities. It gave a comprehensive perspective, while dealing with the various stakeholders working towards management of revenue leakages,” Prasad said.

The man behind this 4P-methodology is Royal Mail’s John Manson. “All organisations need to make sure that they are getting fairly paid for what they provide to the market but, at the same time, they need to make sure that they have the systems or processes in place to identify if they are or not,” he says. “Also, Posts have to ensure that those systems and processes are robust and can be deployed and monitored within their organi-



sation," he added. His advice was welcomed by delegates in Bangkok. "The 4Ps have stimulated a lot of introspection in the representatives from each postal business. The hope is that they will go back and review their parent Post based on the workshop's outputs," Manson said. The UPU's postal security programme manager, Dave Bowers, and stakeholder relations' assistant programme manager, Ariane Proulx, echoed Manson's assessment. "Participants were very enthusiastic. They seemed to understand at once what the methodology was and how to apply it," said Proulx. "And most said that they could implement the 4Ps immediately," added Bowers. One P in particular caught the delegates' imagination. "You could tell from the participants' questions that 'people' was a high priority and a starting point to revenue protection," said Bowers. "The overriding view was that having competent people in your organisation was crucial," he added.

Eager reception

The delegates were given much food for thought during the workshop. "The eagerness of the participants to go back to their Posts, use the methodologies and adopt the new technologies was very energising. This extended to almost all irrespective of the size of their operations," said Prasad. For her part, Prasad took away some important lessons from Bangkok. "It is imperative to adopt the latest technologies to reduce the leakages. The various channel of payments need to be synchronised for faster and transparent collection of revenue. Leakages can occur because of unsuited channels."

The 4Ps

Products

.....
Terms and conditions of use for the Post and their customers

Processes

.....
The way they are designed and deployed effectively

People

.....
How they are trained, managed and communicated with on revenue protection

Plans

.....
The approaches the Post is looking to deploy to reduce revenue leakage


Some workshop takeaways could also be implemented within India Post, such as “the adoption of technology based on their affordability as the scale of operations are large”, said Prasad. “This is vital as revenues have been more or less static,” she stated.

The Thailand meeting also gave attendees a chance to exchange experiences outside of the official programme. “Many countries, especially Indonesia, Brunei and Nepal, shared similar concerns and challenges as India Post. The interactions with Brunei Post resonated the most as their concerns were identical, especially the loopholes in the categorisation of mails by postal staff,” Prasad revealed.

Consultative Committee

Created by the UPU’s 2004 Congress in Bucharest, Romania, postal stakeholders that are not public operators or regulators can add their voice to the UPU’s deliberations through the CC. The committee consists of non-governmental organisations representing customers, delivery-service providers, workers unions, suppliers of goods and services to the postal sector and individual and company organisations that have an interest in supporting the UPU’s mission and objectives.

Organisations must be registered in a member country. Individual companies may not currently join the committee. Eight member countries are also represented on the committee. They are named by the UPU’s Council of Administration and Postal Operations Council.

 [White Paper on Revenue Protection](http://tinyurl.com/white-paper-revenue-protection)
<http://tinyurl.com/white-paper-revenue-protection>

Confidential review

Another part of the CC solution to combat revenue losses was to offer Posts operational reviews carried out by independent consultants. For its part, Thailand Post was keen to participate. “We thought we could gain key learning points from the reviewer’s perspective. Most importantly, the recommendations and feedback from the workshop and experienced consultant could help us re-think our present practices, on whether we needed to deploy a new process or to revamp our management system in the short-term and long-term,” stated Paiboon Piyapanyakul, vice president of audit operations.

Manson conducted the first confidential analysis with Thailand Post as its subject. The operator says it appreciated his insights. “Even in a somewhat short period of time, the scope of the review was quite large. I believe we did learn from each other. The review did increase awareness of significant issues derived from John Manson’s perspective. It will certainly lead to better policies and activities on revenue protection and leakage mitigation in the future,” Piyapanyakul said.

For Bowers, Thailand Post’s willingness to undergo a review was noteworthy. “Countries are normally very hesitant to step off the ledge and let such a review occur. They are afraid that the results will show outsiders that they have problems,” explained Bowers. “But the goal of the exercise is not to point fingers but to offer help,” he added.

Eyes on Congress

For the CC working-group chair, such private-public activities are a win-win situation. “Operators and the private sector are working together because they have common interests. Posts want to improve processes and reduce leakage and the latter wants to better understand the former’s needs and develop its own network,” Ducasse explained. As for the future, the group has its eye on what it is calling the finish line: the UPU’s 2012 Congress. “It is my hope that Congress will recognise the value of initiatives like ours and open up further the scope for postal-private collaborations in the UPU. Meanwhile, we will continue to work hard to encourage Posts across the globe to put revenue protection on their radar,” Ducasse said. Another CC workshop on the topic is planned for later this year.

Bringer of glad tidings

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Sima Azroyan has worked for 40 years for Haypost and serves behind the counter in Yerevan, Armenia.



.....

By
Anna Ghukasyan and Faryal Mirza

.....

Photo: Haypost

.....

Why did you decide to work for the Post?

Sima Azroyan: I have admired the postal system since my youth. It enables people to communicate even when they are far apart. I used to be a telegrapher and a phone operator and I liked passing on happy news.

.....

What do you like about your job?

I like being in touch with people. I enjoy serving each customer in an individual way and taking a personal approach.

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What is your working week like?

I work six days and 39 hours a week.

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Apart from the salary, what other benefits do you have?

I have paid holidays, a pension allowance and a year-end bonus.

.....

What are your customers like?

I meet a wide range of customers. Our post office is in the centre of Yerevan. We also have many high-ranking officials and foreigners as customers, as well as the elderly and children.

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What services do you like offering?

I like to offer all services but, most of all, I enjoy serving people well.

.....

Who was your most interesting customer recently?

A very old woman came in and wanted to send her grandchild a pair of socks she had knitted but couldn't find the address. We got in touch with her relatives, found the address and sent the present.

.....

How are postal employees seen in your country?

They are treated well. Everyone realises the importance of the Post.

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What is happiness?

Having a good, close-knit family and a nice and interesting job, where everybody likes and appreciates me.

facts & figures

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Armenia	
Official languages	Armenian (official) 97.7%, Yezidi 1%, Russian 0.9%, other 0.4% (2001 census)
Country population	2,966,802 (July 2010 est.)
Total area	29,743 km ²
GDP per capita	5,800 USD (2010 est.)
Currency	Armenian drams
Main industries	diamond-processing, metal-cutting machine tools, forging-pressing machines, electric motors, tyres, knitwear, hosiery, shoes, silk fabric, chemicals, trucks, instruments, microelectronics, jewellery manufacturing, software development, food processing, brandy
Main postal services	express and business mail services, philately, ordinary mail
Number of post offices	900



Beating poverty with remittances



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The International Fund for Agricultural Development (IFAD) is helping the UPU to increase money-transfer services to the rural poor. IFAD president, Kanoyo Nwanze, explains why the two United Nations specialized agencies are working together.

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By
Faryal Mirza

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Photos: IFAD

How many people considered poor and very poor could be helped by increased access to basic financial services and where do they live?

Kanoyo Nwanze: Our Rural Poverty Report 2011 shows that the majority of the developing world's 1.4 billion extremely poor people live in rural areas. For us, it is a natural link to harness the developmental potential of financial services to help not only those who actually use these services but also their families and home communities.

How can access to such services help people lift themselves out of poverty?

Many poor, rural people receive remittances – or money sent home – from relatives working abroad. The money helps families pay for the food, clothing and shelter that are necessary to daily life. If families have access to financial services, once these basic needs are secured, remittances can be saved and/or invested. The key to maximising the impact of remittances is saving the money in a deposit account, not under the

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“Remittances stimulate local economies and improve life at home so that migration becomes a choice instead of a necessity.”



mattress. In this way, the funds can be lent to others in the community, while remittance recipients earn interest and build a credit history that can lead to other financial services.

Why are remittances an important part of financial services?

For millions of families, remittances can be the key to accessing a broader range of financial services. But, in the first place, the money migrants send home provides a lifeline out of poverty for those left behind. In nearly 40 countries, remittances make up more than 10 per cent of gross domestic product or GDP – in some countries it is even more.

Given their sheer volume, remittances have the potential to stimulate local economies and improve life at home so that migration becomes a choice instead of a necessity.

Why is IFAD interested in working with the UPU to increase access to remittances?

IFAD has a long experience with financial services in rural areas, which is where about one-third of the remittances go and where they play an especially important role in raising incomes and reducing poverty. But due to the lack of infrastructure, the costs of receiving remittances can be extremely high for poor, rural people.

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- There are approximately 200 million migrants from developing countries living outside their country of origin.
 - Cumulative remittances to developing countries will surpass 1.5 trillion USD over the next five years.
 - Almost 2 billion USD were remitted to Benin, Burkina Faso, Mali, Mauritania, Niger and Senegal in 2010 alone.
 - Rural areas receive 30 to 40 per cent of remittance flows.
 - Up to 90 per cent of remittances are spent on food, clothing, shelter, health care and education.
 - Remittances are equal to three times the net Official Development Assistance to developing countries.
 - Only 10 per cent of poor people living in rural areas of developing countries have access to the most basic financial services.

The UPU's global network, which is present in urban and rural communities alike in virtually every country of the world, has the infrastructure required to expand remittance services to rural areas.

The first UPU-IFAD project on remittances is in French-speaking western Africa. How can people there benefit?

Thanks to our collaboration, 355 rural post offices in Benin, Burkina Faso, Mali, Mauritania, Niger and Senegal are now connected to the UPU's worldwide electronic-payment network. As a result, people in the rural areas of these countries no longer need to travel long distances to transfer or receive money. Also, transfer times have been reduced from two weeks to a maximum of two days and the costs lowered significantly.

Perhaps the best illustration of how important remittances

through the postal network are is the story of Kersignan , Mali. Its community, with the help of local migrant workers living in France and the Post, actually built a post office to secure access to remittances for their town. This shows how vital remittances are to the people in developing countries and how important the role of postal networks can be in offering financial services.

To what extent could a mid-to-long-term collaboration between the postal sector and IFAD lead to actually lifting the poor and very poor out of poverty?

It could not only help to lift the poor out of poverty but also give them the tools to become self-sufficient. Working together with the postal sector, we hope to continuously maximise the benefits of remittances for senders, recipients and their communities. We hope to

expand basic services beyond remittance payments to deposits and on to more advanced financial services. And we hope to expand the reach of these services to every corner of the globe. Luckily the post offices are already there!

Kanayo Nwanze has been IFAD president since 2009 and has more than 30 years' experience in poverty reduction.

The International Fund for Agricultural Development

IFAD works with poor, rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested over 12.5 billion USD in grants and low-interest loans to developing countries, empowering more than 370 million people to break out of poverty. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agricultural hub.

IFAD hosts the Financing Facility for Remittances, an 18 million USD multi-donor facility, which funded

the UPU-IFAD partnership in western Africa. Donors to the fund are the Consultative Group to Assist the Poor, better known as CGAP, the European Commission, the Luxemburg government, the Inter-American Development Bank, the Spanish ministry of foreign affairs and cooperation and the UN Capital Development Fund.

The agency is a partnership of 165 members from the Organization of the Petroleum Exporting Countries (OPEC), developing countries and the Organisation for Economic Co-operation and Development (OECD).

Getting practical with addresses

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A founding member of the Global Address Data Association and editor of the Guide to Worldwide Postal Code and Address Formats gives countries pointers on good addressing-database practice.



.....
By
Merry Law

Most of my customers are experienced in international addressing. Their databases are important to them and they attempt to keep them clean and up-to-date. After all, their livelihoods are based on these assets.

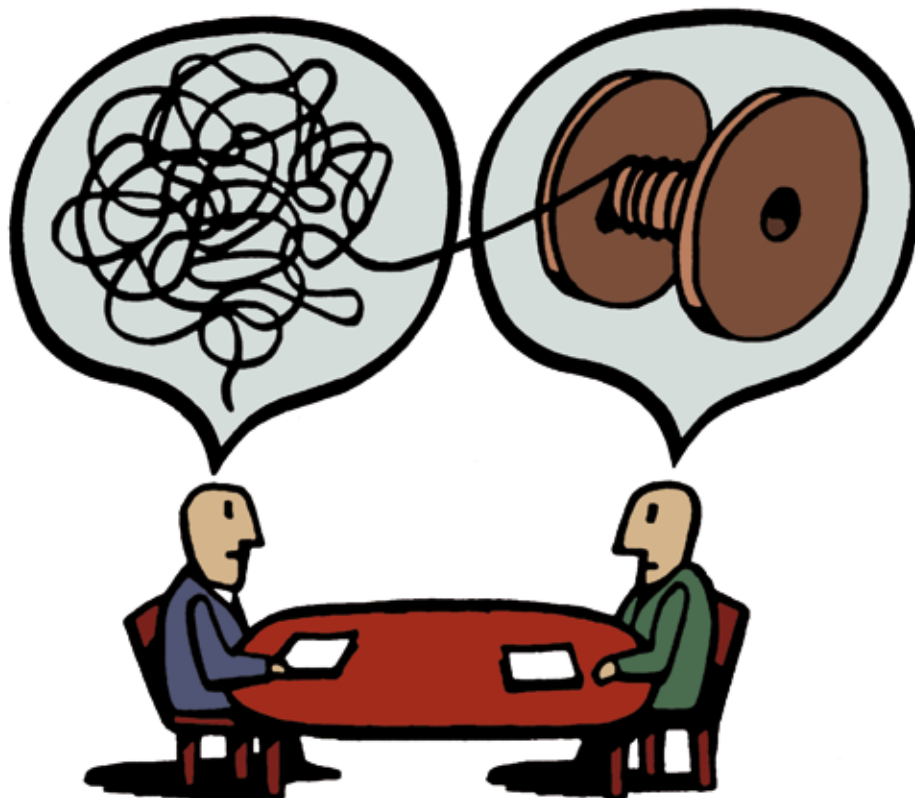
Businesses want and need correct addresses in their databases. They spend a lot of time and money on them because it is their lifeblood. You can help them. This will lead to easier sorting, less undeliverable mail and more efficient delivery. We all get lower costs and better delivery. And lower costs and better delivery will help encourage more mail volume.

The problem is not always database quality or data hygiene. Sometimes, it is the countries' addressing schemes and changes. Here is some advice to all the Posts and government agencies designing and implement addressing schemes.



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Simpler is better

Use the same basic format for all types of addresses, whether building or street addresses and post-office box or bag addresses. Changing the placement of the postal code, the city name or the province for some of



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Simplicity is king

these address types creates complexity and confusion. Avoid all of the above unless there is no other way to accomplish your goal.

In some countries, the postal code's position in the address can be different for street addresses than it is for post-office box addresses. However, most databases position the postal code for a country in one place without regard to the address type. The choice for many businesses is whether to send incorrectly addressed mail or make costly modifications to programmes.

Changing the placement of address elements for different areas of the country or for rural versus city versus town addresses is also problematic. People who do not live in your country do not know whether a locality is rural, a town or a city.

In one south-east Asian country, addresses in different parts of the land have different elements on the line above the postal code and to the right of the postal code. These formats make it difficult for anyone who is not familiar with that country to ensure that addresses are correct.

If you use provinces in your addresses, standardised and well-publicised province abbreviations make it easier for those unfamiliar to get them right. Publish the list. If you use the province name written out in full, make lists of the names available.

Simpler postal codes are easier to keep correct. Numeric postal codes are more easily read by everyone. India, with more than a dozen official languages, sticks to a six-digit postal code and that should tell us all something. For many years, the United States had a five-digit code before adding a dash and four more digits; the letters still arrive in a timely fashion when the mailer uses only five digits. These are large countries. Do you really need a more complicated system?



.....
Changes are a problem

Yes, sometimes address formats need to change or postal codes need to be adjusted. But please do not regularly make minor changes to the format or elements of the format. Moving the postal code to a new position, removing the punctuation before or after a province name or changing province abbreviations frequently makes it difficult to know what is correct.

Address formats were changed by more than 60 countries in the last seven years by my count. At least six of those countries made more than one modification to their address's format: changing the format or position of the postal code more than once, adding or removing

a province name or changing the position of the province. The countries with format changes in the actual address account for more than 65 per cent of the questions I receive about addressing.

Changes of any kind take time and money to implement for the Post and businesses and you are generally not very effective in informing the mailing public of the changes you require. If these changes are necessary, please communicate them to your customers, including those outside your country, to let them know what the changes are and why they are essential.

Mailers take even more time to adopt the changes than the Posts since they are usually not told in advance that a change is coming. Threatening that you will not deliver mail with incorrectly formatted addresses does not get the changes made more quickly. All it does is convince the mailing community that you are not customer friendly and are unreasonable. In this day of mail moving in droves to the digital realm, do you really need to give your customers more reasons to become 'former customers'?

And people seem resistant to changes in their addresses in all countries without regard to how developed the latter are or the literacy rate. So, when businesses update to the new format, they get complaints from their customers when the Post changes the address format, even though businesses are merely following the Post's request. Customers still 'correct' addresses in Great Britain by adding the county, although Royal Mail does not want them in addresses and the governmental administrative structure has been reorganised.

Still, changes do need to be made, which brings me to my final point.



Provide information

Publicly provide examples of correct addresses, lists of correct abbreviations, postal code formats and information. And make all of this free to everyone! It

does not matter that I do not live in your country. I send mail to your country and need to know this information to ensure that the addresses are correct. Make it easy to verify the postal code of the province or locality. Let everyone know that all codes in a particular place begin with the same letter or number – and tell us what that letter or number is. Do this for the whole country.

Only 40 per cent of members of PostEurop, one of the UPU's restricted unions, have addressing information on their websites. Of those members with postal codes, 12 per cent do not have postal code information or a way to look up a postal code on their websites. Why not provide this information to customers?

Bad addresses create undeliverable mail, which translate into significant costs for postal systems and their users who pay for their services. Undeliverable mail costs the United States Postal Service and its customers about 1.6 billion USD per year, with some 3 – 4 per cent of the mail undeliverable. In the United Kingdom, 5.8 million items a year are misaddressed. A badly addressed e-commerce package costs a merchant over 25 GBP in refunds, redelivery and replacement, as well as the possibility of losing the customer. One Austrian delivery company reports that 5 – 10 per cent of all parcels are incorrectly addressed, requiring return or redelivery attempts.

When you do make changes that cannot be avoided, get information out about it. Put the information on your website and make it easy to find. Send out a press release to the mailing and postal community press and trade associations. If you do not know who these are, get in touch with the Global Address Data Association and it will provide you with a list. Notify the Universal Postal Union and postal operators and ask them to share this information with their constituencies and customers.

 **Global Address Data Association**
<http://www.globaladdress.org/>

Postal addressing systems worldwide
<http://www.upu.int/en/activities/addressing/postal-addressing-systems-in-member-countries.html>

Digest

Chile

Correos Chile has received the national prize for service quality and management excellence. This prize is the highest distinction awarded to Chile's organisations by independent bodies from the public and private sector.

Croatia

Hrvatska pošta is simplifying its parcel pricing. It will now use a single pricing system for all parcels delivered, instead of the 64 different price categories that used to exist. The rate is based on weight and split into two classes: economy and premium.

Czech Republic

Ceská pošta has announced that profits for 2010 "exceeded expectations", with some reports suggesting that they may have doubled from 2009 to 250 million CZK (nearly 14 million USD).

Finland

From February, **Posti's** delivery of letters, papers, packages and direct mail will be car-

bon neutral at no extra cost to customers.

Part of the CO₂ emissions will be offset with projects replacing the use of fossil fuels and producing renewable energy through wind or biogas. Posti is also putting up 312 new blue letterboxes in the country's busiest areas.

Non-priority items posted in them will be delivered within three working days of posting, says the operator.

France

After consulting 70,000 individuals and businesses, **La Poste** is drawing up a new postal charter and has set the goal of next-day delivery for 85 per cent of priority items. The charter's commitments include quality standards, customer care and carbon-emission reductions.

Norway

Posten Norge will soon launch a digital mail service called DigiPost. To ensure security, the digital mailbox will be based on the recipient's mailing address and national identification number.

Poland

Poczta Polska is setting up a pilot project to improve and restructure post offices in large cities. This will cut queues, provide greater access to services, extend its business hours and simplify certain processes. Some postal services will also be available in shopping centres and service stations outside regular post-office hours.

Spain

Correos is looking to invest in and restructure its activities to strengthen its commercial focus and boost its competitiveness in a fully liberalised market. Its 2011–2014 business plan envisages more flexible mail collections and simplified processes and technological solutions for small and medium-sized businesses.

All texts by Jérôme Deutschmann

Busy times for Russia Post

A whirlwind of activity has seen Russia Post sign an agreement with Poste Italiane, open a new office of exchange for EMS items and boost its lottery offerings. Under the agreement, Poste Italiane will provide the Russian Post with the necessary expertise to modernise the latter's network of 40,000 post offices. The Italian Post will help to optimise the Russian logistical network and launch online financial and mobile-phone services.

The new international office of exchange for express mail at Moscow's Sheremetyevo Airport, will be able to process

large volumes of international express mail – about 100,000 EMS items a month – and reduce delivery times by a day. Another unit will be built in Primorye to process international items from China, Hong Kong, Japan, South Korea and the west coast of the United States. Currently 40 per cent of Russia's imports originate from these places.

As Russia's biggest seller of lottery tickets, the Russian Post introduced a new lottery in February 2011 where the top prizes are apartments. In recent years, ticket sales have grown by an average of 10

per cent annually. Proceeds are generally used to fund social projects set up by the Post and other partners. The tickets for this new lottery, which will run for five years, are valid for all draws over a four-month period, increasing players' chances of winning. One thousand players could each win an apartment worth 2.5 million RUB (85,834 USD). Proceeds from this joint initiative with Gosлото, the Russian national lottery, will be used to create 15,000 affordable housing units in Russia. **JD**

Strategic shift at TNT

By Anne Césard

Last December, TNT followed up on a major decision to split its mail and express businesses into two legally distinct companies. This split ended a long process that had been set in motion by the Dutch operator a year earlier.

To justify this measure, TNT said that its two areas of focus had little in common. The gap between their priorities was growing wider and their synergies were limited. "The separation allows for more transparency in the running and results of the two entities," says Dirk Palder, vice president, postal service industry at Capgemini Germany, the consultancy group.

Decline in Europe

As a result of liberalisation and Internet competition, TNT has seen volumes drop in its mail business, where its main focus is Europe, especially the Netherlands. Still, it generates strong cash flow requiring little capital. By contrast, its express activities target intercontinental markets and would require significant resources for expansion.

"The Dutch postal market, which was liberalised in 2009, has posted the sharpest decline in Europe," observes Palder. "Even its rival Deutsche Post DHL pulled out of the country recently," notes the consultant. In 2010, addressed mail volumes at TNT Post dropped by 9.6 per cent, with another decrease of around 8 – 10 per cent expected this year.

This situation forced TNT to announce 11,000 job cuts in its Netherlands' mail division, including 2,800 redundancies negotiated with the trade unions. Beyond Dutch borders, the group decided to concentrate on addressed mail in markets where its foothold is strongest, such as Germany, Great Britain and Italy. For its other activities and low-priority markets, TNT has opted for divestment or partnerships. The sale of its mail business in Belgium and unaddressed mail operations in Italy, announced in January 2011, is in line with this strategy.

On the horizon

Even though the separation of mail and express activities is guided by a clear and logical strategy, investors may have wished to set the stage for an acquisition. Indeed, the group's CEO Peter Bakker, who will leave TNT once the demerger becomes official, initially preferred a purely internal separation of the two entities, rather than full autonomy.

For his part, Palder sees two possible scenarios for the express division. The first is that a private investor would buy and then resell the company but not before beefing it up with a few additional acquisitions. An alternative possibility is that a company involved in another logistics sector could become interested in TNT's express business. The consultant considers it unlikely, however, that major players, such as UPS or FedEx, would be interested in

such a purchase. Such companies, he says, are sufficiently robust to ensure their own growth without making acquisitions.

TNT, on the other hand, argues that the separation of its two businesses will give rise to two solid independent companies capable of surviving on their own. "Express's priorities are to grow its existing strong European networks and the intercontinental business from and to Europe and secure contributions from existing strong positions in China, South America and India," says Marc Potma, TNT's communications spokesman.

Palder believes that the group still has strong growth potential in the mail business sector, as long as it redefines its business model. Electronic mail is one prime area for development, the consultant adds. At the same time, TNT must expand to cover the entire communication services chain. Doing so would allow large companies, such as banks, to entrust it with their entire communication strategies, including direct marketing.


TNT is convinced that customers will ultimately be better off as a result of the separation. "TNT wants to be a provider along the entire value chain. Customers will be presented a wider product portfolio," says Potma.

Anne Césard is a business journalist based in Berne, Switzerland

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A portrait of Emmanuel MIETTE, a man with short grey hair and blue eyes, wearing a dark suit jacket over a light blue shirt. He is standing with his arms crossed, looking directly at the camera. The background is a blurred, warm-toned indoor setting.

Understanding your requirements and imagining tomorrow, that's my job.

Emmanuel MIETTE
Engineering Director - Sorting Systems

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