FORMING THE COMPETITIVENESS OF POSTAL ORGANIZATIONS IN RUSSIA

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Abstract: *The achievement of competitiveness is the most important strategic task of any organization. Nowadays the level of competition grows in all markets of postal services in Russia, including such traditional post services, as subscription and delivery of letters and parcels. The state postal operator is the only organization, capable to provide postal services in all the territory of Russia. Russian Post needs the actual model of the financial and economic management. The purpose of this study was to develop a methodology of forming the competitiveness of postal organizations. To achieve the objective of the study it was necessary to solve the following problems:to define features of the market of postal services in Russia, to develop a methodology of forming the competitiveness of postal organizations, to define a real and predicted consumer demand for services of Russian Post and to compare expected volumes of Russian Post's services on dynamic ranks of data and ranks of data on regions. The analysis by the proposed methodology helped to predict the volume of postal servicesfor 2013–2014 years and to prove the directions of the postal organizations' development. This methodology can be used not only by postal organizations, but also by the organizations of any sphere of the economy, by lectures while preparing training courses.*

Keywords: *postal organizations, factor analysis, cluster analysis, forecasting*

1. INTRODUCTION

The achievement of competitiveness is the most important strategic task of any organization. Nowadaysthe level of competition grows in all markets of postal servicesin Russia, including such traditional post services, as subscription and delivery of letters and parcels. But at any size of demand, the postal organizations are obliged to provide it.However alternative postal operators don't develop theirbranch in rural areas. Therefore the state postal operator is the only organization, capable to provide postal services in all the territory of the country. Russian Post needs the actual model of the financial and economic management if it wants to increase the competitiveness. In scientific literature the theory and methodology of formation of competitiveness, its tools, strategy of increasing the competitiveness of services are widely studied. But there are no theoretical and methodological bases of formation of postal organizations' competitiveness. This research was conducted on the example of state postal operator – Federal State Unitary Enterprise «Russian Post» (Russian Post).

2. RESEARCH METHODOLOGY

To create competitiveness, Russian Post needs the objective methodology. In this regard, the author has developed the methodology (Figure 1).

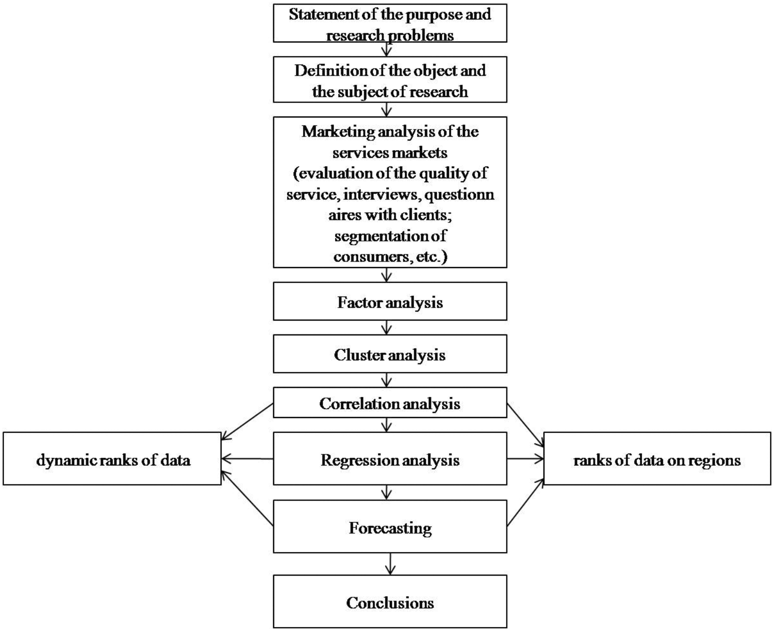

Figure1: Stages of the methodology of forming the competitiveness of postal organizations

The methodology allows solving some tasks:

- to identify the internal and external factors affecting the intensity of the demand for postal organizations;
- to restructure branches of postal organizations;
- to define a real and predicted consumer demand for services of Russian Post;
- to compare expected volumes of Russian Post's services on dynamic ranks of data and ranks of data on regions

3. FEATURES OF THE MARKET OF POSTAL SERVICES IN RUSSIA

In Russia, the activities of postal services include reception, processing, transport and delivery of postal items (domestic and international written correspondence and parcel), postal money transfers (remittances, pensions and benefits). These services are provided by postal operators under the licenses. Unlicensed services are express delivery, subscription to printing editions, the sale of postage stamps, postcards and envelopes. These services are provided on a contractual basis.

Now in Russia the post market is liberalized. In 2007 the number of licensees was 121, in 2010 – 272. In 2013 the number of the organizations which have obtained the license, made already 377, including Russian Post. And experts consider that approximately the same number of the organizations renders postal services in Russia without obtaining the license, especially in the market of express delivery.
Alternative (non-state) postal operators can render services in all territory of the Russian Federation or only in some regions of the Russian Federation, for example, «GarantPost», «DHL International», «SPSR-Express», «Freyt Link», etc. Also they can render services only in one or two nearby regions of the Russian Federation, for exampleJSC «Urban courier service», JSC «National post service», JSC «Federal post service». Activity of the private postal organizations relating to the last listed category is most often limited to rendering services in the profitable markets in large settlements (the capitals, other large cities of the region), but in rural areas isn't presented. Also it depends on the temporary period. In the period of economic stability such postal organizations start rendering post services (for example, delivery of written correspondence) and stop their activity during the crisis in the economy. This is particularly evident in the regions remote from the center.The private postal organizations cannot have at all the representation in the region, but open it at the competition announcement on sending mailings by request of government institutions.It occurs because the cities are more attractive market segment. There are the majority of organizations, which are the important users of postal services. Rural areas are characterized by low population density, poor highways development, and underdeveloped market infrastructure. This leads the increase in cost of postal services in rural areas.
The state postaloperator Russian Post was created in 2002 and nowadays it is the largest postal organization having at the order for about 41,9 thousand stationary post offices (from them 30 thousand are located in rural areas and 4 thousand – in remote areas), and also about 1,5 thousand mobile post offices, points and booths. Russian Post employs about 360 thousand employees, 32% of them are postmen, 21% – operators.
Russian Post is a monopoly on public postal services. The resolution of the government of Russia approved the list of services of public postal services, which included only one service – transfer of internal written correspondence (postcards, letters, and parcels).This serviceis very necessary because it has social significance and should be requiredfor allusers due to the different levels of solvency and within the territory. For this service cannot be a full competition and free pricing.It is the global standard and the inclusion of written correspondence to universal services recommended by Universal Postal Union.
According to «Boston Consulting Group» (BCG) Russian Post is the largest player in the market of delivering the written correspondence with a 75% market share. However, in many segments the competition already exists and continues to develop. In B2B sector the share of Russian Post makes no more than 40%, in B2C – 70%, and in the most attractive B2C segments the share of Russian Post doesn't exceed 30–40%. The main competitors ofRussian Post in this market are the local private postal organizations and organizations which are engaged in express delivery.[1]
The services «Delivery of parcels» and «Express delivery» often unite in one market, so-called CEP (courier, express and parcels). According to BCG the cumulative share of Rus-

[1] «Strategy of development of Federal State Unitary Enterprise Russian Post in 2012-2016», Federal State Unitary Enterprise «Russian Post», accessedJan 17, 2013, http://fc.russianpost.ru/Download/Ab...016.pdf#page21

sian Post's services such as«Delivery of parcels» and «Express delivery» makes 26,9% and 6,6% respectively. Most widely Russian Post is presented in the rural areas, i.e. in the least attractive segments. In the most attractive segment in urban areas Russian Post occupies less than 10% of a share of the market.Express delivery is carried out by a separate structural division of Russian Post – «EMS Russian Post». The market of express delivery service is the most attractive and competitive market which is characterized by high quality of provided services, free pricing, high level of the competition between the organizations acting in this market. In all regions of the Russian Federation this market is in a condition of the competition. In the large and economically developed regions the share of alternative operators makes 70–90%.The market of parcels removed from the state tariff regulation since 2003. Since 2004 non-state operators began to work at this market.

Russian Post occupies a share about 50% in the market of pensions and social payments'delivery.[2] In Russia the pensioner can receive pension in organization cash desk, at home or by transfer of the pension sum into the account in the credit organization. Thus, bank organizations are the main competitors of Russian Post in this market. It should be noted that Russian Post ranked higher market share in segment of pension's deliveryhome than in the market of pension payment in cash. Delivery of pensions is necessary for those pensioners who have no opportunity to leave the house, for example, seriously ill pensioners and disabled people. The alternative organizations aren't interested in delivering pensions to rural and remote unprofitable areas. Newly retiring pensioners prefer to receive pensions in banks, due to the fact that they have an opportunity to get a bank card.

Russian Post occupies 15% in a market of remittances according to BCG. In the 1990s when networks of remittances were insufficiently developed, the main part of consumers preferred postal remittances. But in 2000 the volume of remittances through Russian Post was reduced three times in comparison with volumes of the transfers of the Soviet period. Now remittance scan be sent not only at Russian Post, but also by means of various systems of remittances (Western Union, Anelik, Migom, etc.) in banks or other organizations. Russian Post occupies the following shares in different sectors of the remittances market: – from an individual to an individual ~ 11%; – from individuals to business (distance selling) ~ 29%; – from individuals for business services, including loans ~ 13%; – international transfers of Commonwealth of Independent States ~ 3%; – payments of businesses to individuals – the share is insignificant.[3]

The share of Russian Postin the market of publications delivery (both subscription and retail) is 69%. Reception of a subscription is carried out by Russian Post, subscription agencies, publishing houses. And retail of printing editions occurs in distribution networks, supermarkets, etc.The alternative organizations provide subscription services in the large cities of the region, try to sign contracts with the large enterprises and aren't engaged granting a subscription in rural settlements or the small cities. At the expense of what their income can be high. But quantity of addresses for delivery is small that gives

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[2] «Strategy of development of Federal State Unitary Enterprise Russian Post in 2012-2016», Federal State Unitary Enterprise «Russian Post», accessedJan 17, 2013, http://fc.russianpost.ru/Download/Ab...016.pdf#page21

3 «Public report. 2011», The Federal Service for Supervision of Communications, Information Technology, and Mass Media, accessed March 13, 2013, http://xn--80aijjkgebfljd.xn--p1ai/docs/docP_817.pdf

them advantage in the speed of delivery of printing editions. Also it should be noted that fact that Russian Post has no right to reduce the subscription cost (the subscription price didn't grow since 2009), and the alternative companies can provide discounts for volume. Only Russian Post is engaged in delivery of subscription printing editions to individuals. The share of Russian Post in different services markets ranges from 6,6% to 75% (Figure 2).

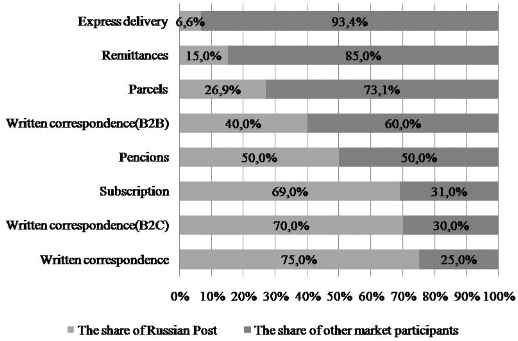

Figure 2: The share of Russian Post in different services markets in 2013

Low level of competitiveness of Russian Post dependents on such negative influences as:

- Degenerateinfrastructure. For a long time Russian Post didn't invest any funds for its development. Wear of fixed assets makes more than 60%. Their updating demands capital expenditure of 5 billion rubles a year. 60% of motor transport and 70% of mail vans developed the resource and demand replacement. 50% of postal offices need under repair, about 10% from them is close to the emergency. Automation level is very low: the share of manual skills exceeds 80%.[4] The weight of the written correspondence sent to established control terms decreased in the last three years. In 2011 only 20,84% of written correspondence were sent to established periods.[5] The share of the express departures sent by Russian Post according to control terms of sending is only 81,77%. It is the smallest result among all postal operators. At the main competitors this indicator is on the average equal 96%. One of the main reasons of delays is uncoupling of the postal wagons from fast trains. 3,5 thousand cases of uncoupling the postal wagons were recorded in 2012.
- Low motivation of postal workers. Growth rates of an average salary on the enterprise lag behind growth rates in Russia. In 1998 the average salary in the post sphere made 80%. Now this indicator makes no more than 60%. The low wage creates a situation of continuous workers outflow. And that in turn influences a quality of provided services;
- Regional features. Many regions of Russia are characterized by low regional budgets, the population income, and a small number of the large enterprises. There is

[4] «The plan of modernization of infrastructure of a federal postal service of the Russian Federation till 2012», Ministry of Communications and Mass Communications of the Russian Federation, Jan 13, 2012, http://old.minsvyaz.ru/ministry/documents/1117/8591.shtml; Stenyaev, «The law future», 25.

[5] «Strategy of development of Federal State Unitary Enterprise «Russian Post», accessedJan 17, 2013, http://fc.russianpost.ru/Download/Ab...016.pdf#page21

a disproportion of the market levels of postal servicesfrom the geographical point of view. To deliver mailings to some rural and remote settlements, the enterprise should use alternative means of transport, such as snowmobiles, boats and helicopters.

4. FORECASTING

In this article we'll consider only results of a penultimate stage of the methodology – forecasting of demand of Russian Post's services. According to the analysis the volume of demand of written Correspondence delivered by Russian Post will fall in 2013–2014 both on model of dynamic ranks of data, and on model of ranks of data on regions (Figure 3). In Russia in a year only 11 letters per capita are necessary. It is 36 times less than the volume of letters in developed countries.

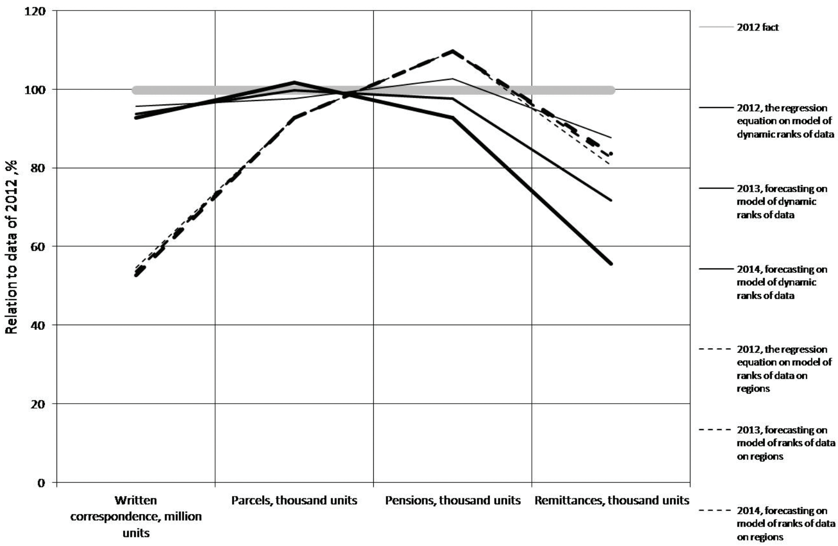

Figure 3: Comparison of the calculated values of regression in 2012 and forecast values 2013–2014 of demand on model of dynamic ranks of data, and on model of ranks of data on regions

The main competitive advantage of Russian Post for this service is a wide network of branches, both in urban and in rural areas. But the low level of automation and mechanization prolongs the passage of written correspondence to the recipient, which affects the mismatch target dates of passage. One third of the respondents are dissatisfied with the current speed of mail delivery.We can assume that in the future the delivery of written correspondence from an individual to an individual will be replaced by electronic channels. Demand for sending written correspondence from the individual to different organizations (public, private) will also depend on the development of electronic sending of information (for example, e-government).The volume of demand of written correspondence from the individual to organizations was reducing since 2009. This can be explained by the liberalization of the requirements of the legislation sent to. For example, there was a reduction in the need of sending notices to judicial and tax government organizations. In particular, now these organizations send not the registered letters but non-registered letters. The number of letters remains the same, but the cost is reduced. Also the number of letters reduced because of combining various notices about taxes in one notice. And of course there is a transition to send messages by mobile phone, SMS, Internet.The volume of demand of written correspondence from the organization to the organizationremains at the same level or will slightly decrease in connection with transition to communication by means of the Internet or a choice of alternative postal operators who can provide faster delivery. Decrease in demand in this segment will depend also on the electronic exchange between the organizations (for example, sending the tax declaration from the organization to tax service).

The volume of demand of the service «Delivery of parcels» in model of dynamic ranks of data shows a tendency to growth. At the same time the model for ranks of data on regions shows lack of changes (Figure 3). The volume of demand of the services «Delivery of parcels» and «Express delivery» is increasing around the world, including Russia, because of development of private Internet auctions, remote trade, virtual payment cards, i.e. in a segment of sending parcels from the private organizations to the individual. The volume of parcels in the world grows by 20% each year. Order parcels more typical for urban areas, where the majority of organizations and population often enjoy online shopping. But in the large cities the majority of Russian Post's competitors are concentrated.The volumes of parcels from an individual to an individual, most likely, remain at the level of 2012.

More than a third of the general demand of Russian Post's services is made by financial and economic services. Growth of volumes of pensions till 2010 was connected with growth of number of pensioners and due to liquidation of the alternative organizations which were delivering pensions at home. According to the analysesin 2013–2014, the demand ofthe service «Payment of pensions» in model of dynamic ranks of data will decrease. However on models of ranks of data on regionschanges in demand volume practically aren't present. So rates of decrease won't be high (Figure 3). Decrease in a consumer demand will happen at the expense of the population receiving pensions in post office. By results of questioning, city pensioners prefer banks in which there is a possibility of transfer of pension on the cash card or opening the pension deposits. The main volumes of this service are in a segment of delivering pensions at homefor pensioners, who cannot walk independently and physically disabled people, both in urban and in rural areas. Many pensioners prefer to receive pension at home also because of possibility of communication with the postmen.

The volume of demand of the service «Remittances» in model of dynamic ranks of data falls. And on model of ranks of data on regions shows an insignificant tendency to growth. Therefore slowdown in decline of remittances is possible (Figure 3). Falling of volumes of Russian Post's remittances is caused by a set of the reasons, for example:- negative influence of world financial and economic crisis in 2008–2010, first of all due to decrease in number of payments on the credits in banks from the population;- high competition in this market;- replacement of remittances with other ways of sending money without commission payment. For example, knowing number of the card and a PIN code, it is possible to put on the card money via the ATM.Further falling of volumes of Russian Post's remittances will happen in all segments. More in a segment of sending remittances from the individual to the organizations (payment of the bank credits, payment of goods in online stores).

The decline in volumes of printing editions (both subscription and retail) due to several reasons:- general falling of interest to print media in connection with Internet development;-changing of habits of media consumption of youth;- high cost of a subscription (the subscription price includes edition delivery, and cost in retail networks can be lower);- distribution of free editions;- possibility of a subscription to the electronic version of the edition on a publishing house site.But it doesn't belong to highly specialized newspapers and magazines which extend only on a subscription.Russian Post's advantages in providing the service «Delivery of publications» is a complete lack of alternative organizations delivering printing editions to the mailbox (in urban and rural areas). But in the market of a subscription on printing editions for the organizations Russian Post's share is much smaller (about 60%) due to a variety of alternative organizations.In rural areas the post office is the only source for the acquisition of mass media at retail.

5. CONCLUSION

Thus, now when forming competitiveness of Russian Post it is necessary to pay special attention to the urban areas in the central regions of Russia. If Russian Post wants to reach leading position in the markets of post services, it must increase quality of rendering services, optimize a network, improve basic qualities of services. The most perspective is the segmentof delivering parcels and written correspondencefrom the state organizations to the individuals, express delivery. For the development of these services it is necessary to improve basic qualities of services, to improve a grocery portfolio, to increase quality of service, to expand the list of additional services, to develop post front offices. Obtaining the limited bank license, optimization of a client zone in offices, introduction the electronic circulation of documents andimproving IT ensuring service will promote the development of the financial servicesof Russian Post.

Using the author's methodologyallows defining demand for post services more precisely, taking into account influence of the various factors. The methodology can be used not only by postal organizations, but also by the organizations of any sphere of the economy, by lectures while preparing training courses.

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