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NEW TRENDS OF POSTAL SERVICES DEVELOPMENTS

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1. New postal trends

In this article we would like to introduce new trends on postal market. Recently new technologies and innovations of process have been introduced and behaviour of customer is changing.

Grow of many postal markets has a positive trend despite of losses on addressed letter business proclaimed by National Postal Operators (next NPO). This is caused by growing competition – thank to liberalization of postal sector new very competitive private operators appeared and take their share on the market. Great example is a German postal market – we can see growing volume of mail (up to 17.4 billion) hand in hand with growing share of operators competing with Deutsche post there.

Prices on postal market are also increasing what makes users to search alternatives of products like: outsourcing, using economy mail instead of priority category etc. Mailers also often use work-sharing, pre-automating, pre-sorting and downstream methods like shown now during world economy recession. Postal operators and regulators regularly present comparative charts of domestic tariffs across countries when communicating their recent rate changes.

The decline in the growth of mails operated by NPO's on liberalized market is influenced by many of factors. One of this factor is rational behaviour of customer who attempts to use for example consolidated shipments, combines arts of communication, reduces mailing frequency, weight of letters, parcels etc. Next: competition from private postal operators and foreign postal subjects are also considerable factors. Additionally the trend in direct marketing toward personalized digital printing allows businesses to use targeting and increases value of advertising mail connected with decreased volume of sent mails.

Increasing trend in using electronic alternative of communication did not have great negative impact on volume of classic mail. Some analysts often say that stagnant growth rates of addressed letters, delivered by NPOs, could signal that from this point forward volumes will begin to decline. The clearest trend is a decline in First-Class single-piece addressed letters in a number of countries. Growing business-to-household advertising and transactional mail volumes has tended to offset the decline in single-piece items, generated mainly by households. We have probably entered a period of potential growth in business-originated pre-sorted mail hand in hand with decline in household-sent single piece letters, resulting overall in low growth or slow erosion of NPO addressed mail volumes rather than one of accelerated diversion.

Optimal combination of electronic technologies and classic mail constitutes new revenue streams for industry participants. The drive to add value to the mail piece is taking advantage of innovation to make each mailing relevant to the end consumer and an essential tool for business customers. In fact researches often show that consumers continue to look forward to mail they are expecting and value relevant offers that may be included. In the US, 77% prefer to receive correspondence by mail rather than electronically. Postal operators are also capitalizing on the combination of technologies and communications media.

Research made in 2006 by comScore Networks, an Internet consumer and research company, looked at the relationship between Direct Mail and online shopping behaviour:

- 8 out of 10 online shoppers find it easier to shop online after receiving a paper catalogue;
- Shoppers who received a Direct Mail piece were almost twice as likely to buy as those who only received Internet advertising, if the add Mail piece was a catalog, the results were even better;
- Shoppers who received Direct Mail bought one-and-a-half times more merchandise on retailers' web sites than those who were contacted only via the Internet.

Packages in the mail have benefited considerably from the Internet and from intelligent tracking technology that enables the electronic notification of a postal delivery. The USPS, for example, is growing its priority and package volume with these new tracking services and is benefiting substantially from Internet E-tailing. eBay now estimates that its users ship more than a billion items annually. Media mail (CDs, DVDs) and health shipments (medicines, prescriptions) are also fuelled by Internet-based ordering.

Advertising and package mail correlate well with economic activity. Transactional mail follows economic growth less closely while correspondence or communications letters are even less tied to the overall economy. Thus, in most industrialized countries overall mail growth is likely to continue to be slower than GDP growth in the future. Real GDP in North America and the European Union is expected to increase by more than 3% per year over the next 5-10 years. This underlying growth should provide opportunity for expansion and make money available for business to communicate with their customer base.

Continued population and income growth has had a positive effect on the major mail streams. Furthermore, as households become wealthier, they tend to spend more on services and acquire account relationships with firms in telecommunications, cable TV, banking, investment and insurance. These relationships increase the number of accounts per households and generate bills, statements and relationship mail.

Business growth is another driver of mail volume. The net increase in the number of businesses in advanced economies is predicted to be more than 1% per year. This is equally true of sole proprietorships, small businesses with less than 10 employees, and medium and large-sized business enterprises. With the US economic recovery in 2003-2005, growth in business activity resulted in additional advertising and transactions mail. Into the first half of 2008, as the economy slows, volume growth looks set to slow as well.

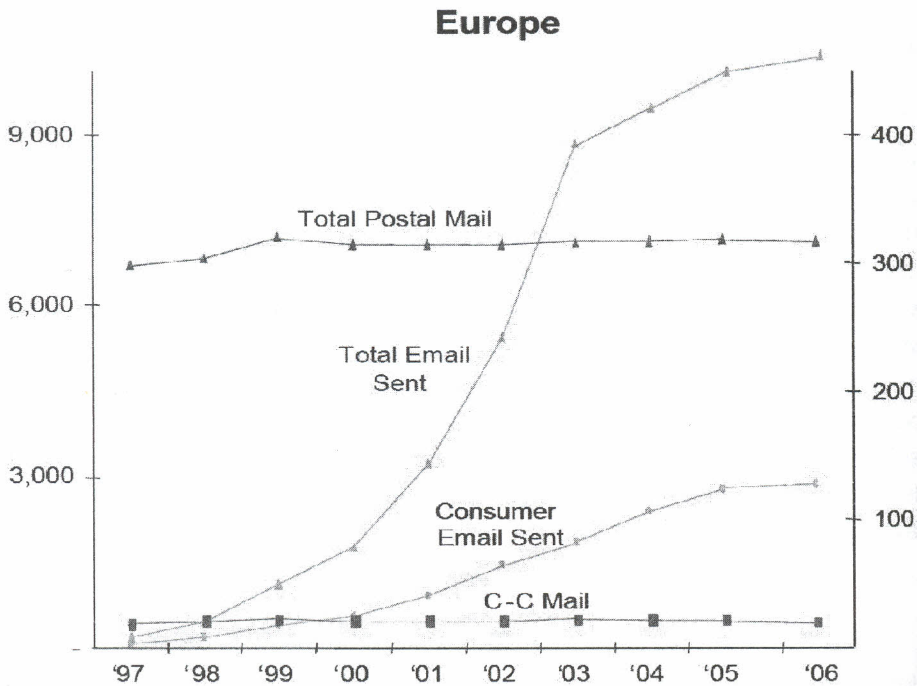
Also changes and new trends in demography structure have great impact in this. We can see: population shifts to sun-belt regions, mobile populations creating urban and metropolitan revivals, growth of multi-generation, development of multi-ethnic society and non-traditional households. Speculation is continuing that younger generations will be using less mail. However, as shown in generational analysis and other work, quantitative data haven`t yet confirm this assertion.

2. E-substitution

Mail volumes in most of all Member States are affected by e-substitution which contains SMS, e-mail, Internet. E-substitution concerns not only C2C correspondence but also B2C (notably transactional and direct mail) and B2B correspondence. The real impact of E-substitution is hardly measurable, because in many countries it cannot be isolated from other developments, such as: an increase in the number of addressed direct mail items (due to an increase in economic activity) and/or cutbacks in the frequency of transactional mail.

Cutbacks typically result from Internet penetration and e-banking and savings in the cost of postal services (companies are now sending a bill once in two or three months instead of every month).

Some authors often say that the total number of e-mails sent increased almost exponentially over the years, while total mail volumes have remained rather stable. In the most recent Eurostat publication (Postal Services in Europe 2006), the results of a survey on e-substitution are presented. This shows that on average about 60% of business and consumer clients did not or only slightly substituted mail using various electronic means of communication (SMS, Internet, e-mail). In the new Member States, there is more e-substitution among consumers (about ten percentage points) but for businesses the rate of e-substitution is comparable. On average little over 10% of all consumers across the EU has fully switched to electronic communication. For businesses, only 3% made the switch. These percentages are reflected in the results of a questionnaire used by ECORYS among large and small business mailers (see text below).



Source: Eurostat 2006

***Fig. 1** Comparison of e-mail and traditional letter development*

On the ***Fig. 3*** we can see that regarding the steep increase of electronic communication in Europe the volume of traditional post letters stays stabile. We can say that e-mail generates its own demand for new applications. E-communication is preferred in cases of in-formal contact. Advantages are high speed, relatively low costs and anonymity. On the other hand classic letters are prefer in case of formal contact.

So what we can expect in the future?

- In the near future, increasing e-substitution in the B2B market is expected. This typically concerns single item mail.
- Little further e-substitution is expected in C2C mail volumes as this shift has already happened to a considerable extent in the past. Today, C2C mail contains high emotional value and is less prone to e-substitution. C2B mail is more prone to substitution by other means of communication but may be outweighed by the effect of account proliferation. Overall, changes in C2X mail flows are not considered significant.
- In countries with mature postal markets and moderate GDP growth the picture is expected to be different. Due to early liberalisation and past economic developments, mail volumes per capita are currently at a high level. However, the Netherlands and the UK have experienced declining addressed mail volumes in recent years
- In mature markets we hence expect stagnating addressed mail volumes and in some countries a decline. Compared to other markets, the decline in volumes is mainly due to stagnation in direct mail volumes and decline of transactional mail volumes. The GDP growth is accompanied by slow growth in the number of businesses and a level of account proliferation. These developments limit the expansion in direct mail and transactional mail, respectively. Furthermore, substitution (for electronic forms of communication and/or unaddressed mail) as well as the trend towards less frequent sending of transactional mail are not (or less) offset by increased competition in the mail market.

3. Parcel and Express market

Contrary to letter mail, parcel mail does not appear to be negatively affected by developments in information technologies. This growth is also the result of or has led to a high degree of competition in the market for parcel delivery services. There is a large growth potential in the European market for B2C parcel deliveries, which is due to an increasing "grey" zone between express and parcel services, as traditional parcel services become more "express". There is a trend which reflects the existence of more cost-conscious clients, who are willing to trade down the speed of transit times as long as the shipment arrives at predetermined intervals.

Across the board, all this typically affects domestic parcel deliveries more than international parcel deliveries, but this may differ from country to country and for insured and ordinary parcels.

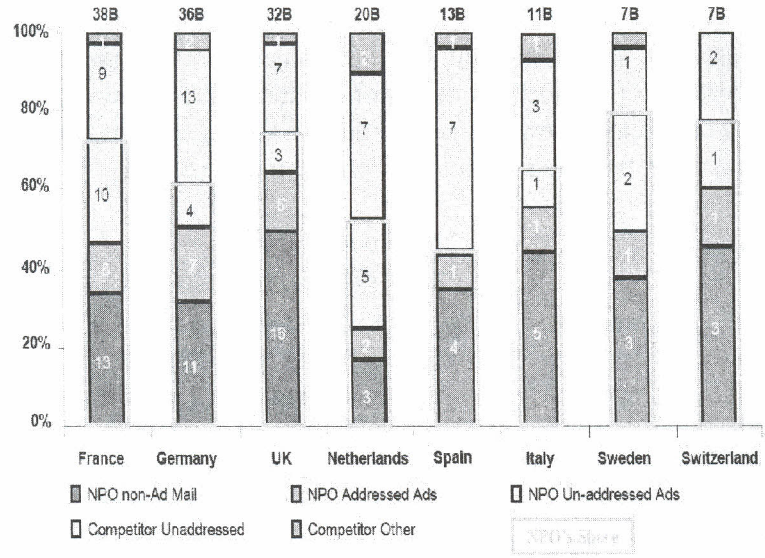
The market for express services is fully liberalised in all Member States and in most Member States the market has matured considerably. There is little substitution between correspondence mail and express mail.

Across the board, we can state that, as a mature market with strong competition, the growth should come from exogenous factors, such as GDP growth and international trade, and endogenous factors facilitating the variety of niche clients (economy express, international express, etc.).

4. Competition on postal market

Analytics forecast sharp increase of postal operators affording postal services on key EU markets. Their entrance in last 20 years had positive impact on total increase of market mostly in years when NPO`s didn`t consider non/addressed mails as attractive and profitable. With the view to increasing liberalization new postal operators still have relatively low share on market in category of addressed mail. Hard competition we can see in advertisements, periodical letters and parcel services.

Increasing prices (mostly in period of economic recession) will make postal operators to find cost reserves and to use less expensive alternatives like outsourcing, using consignments of 2nd class, sorting of consignments etc.



Source: Mail Database and analysis based on published country and association reports

Fig. 2 *Increasing competition on EU-markets*

5. Situation in Czech Republic

In the previous text it was represented the present state and possible development in sector of postal services in the world and within EU.

Next part will be deal with situation in the Czech Republic. It will be make out, whether mentioned trends are significant too for sector of postal services in the Czech Republic. Generally it is possible submit, that the development it will be conformable to development in the world.

It can find certain specifications:

- incomes of population,
- ownership of mobile phones,
- number of households connected to internet,
- ownership of PC`s,
- development of electronic communication.

By many models of demand on products of Česká pošta, s.p. following conclusions can be accepted:

- Demand on usual postal deliveries depends on average wages of population, namely indirectly. With growing incomes users cross from usual delivery to "luxury" types of postal deliveries.
- Demand on usual postal delivery is not expressively influence of number of population connected to internet, which have possibility substitution – classic letter post with e-mail. Postal delivery and e-mail can not be regarded as substitutions. What influences on contrary postal delivery, is a number of active mobile phones, namely indirectly. Growing number of active mobile SIM carts negatively influences number of usual postal deliveries.
- Volume of registered postal deliveries dependences on number of population using electronic access to public administration (direct dependence was proved).
- Volume of sent usual parcels is depends indirectly on volume of GDP and also on development of average wages of population. With growing GDP and growing average income falls interest about this type of parcel and customers are demanding more "expensive" types.
- As well volume of delivery business parcels depends on development of GDP and on development of average wages, namely directly. With growing GDP and growing average wage customers use this product more often. Direct influence was proved by factor "number of population shopping through internet".
- Profi-parcel is product of "luxury" character. Because (demonstrated by result of regression analysis), volume of demanded Profi-parcel depends on GDP.

6. Conclusion

Contemporary development of sector of postal services is characterized especially contradictory tendencies. It goes first about development of forms of electronic communication. On the one hand decrease letter correspondence due to development of electronic communication (SMS, e-mail) happened and contrariwise development of e-commerce is occasion for parcel products.

Situation on Czech postal market answer situation in the world. Recently we can observe forms of e-substitution. Remarkable is substitution effect between traditional letters and communication with using mobile phone (Czech Republic is worldwide one of the countries with highest number of mobile phones per capita). The decrease of volume of traditional post letters is connected with increasing ownership of mobile phones in Czech Republic. On the other hand substitution between e-mail and classic consignments is not so significant. While e-mail is often used for informal communication, classic letters are still used in formal (for example business) contact.

With development of economic of Czech republic (increasing GDP and incomes) we can see that customers more often demand more "luxurious" products like business parcels, express consignments etc.

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Resumé

NOVÉ TRENDY V POŠTOVNÍCH SLUŽBÁCH SPOJENÉ S JEJICH ROZVOJEM

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Tento článek se zabývá novými trendy sledovanými na poštovním trhu, které budou tento trh ovlivňovat i v budoucnu. Nové trendy jsou v tomto případě zastoupeny e-substitucí, balíkovými a expresními službami či konkurencí na poštovním trhu v ČR:

E-substituce nových trendů znamená nahrazení stávajících tradičních forem listovních a poštovních služeb novými formami elektronické komunikace. Vše má ale své hranice – klasické listovní služby nemohou být zcela nahrazeny elektronickou komunikací (e-mail), v budoucnu se bude očekávat spíše spolupráce mezi těmito dvěma poskytovanými službami. Příležitostí pro konkurenci se v tomto případě stanou balíkové a expresní služby.

Konkurence na poštovním trhu v EU (i v ČR) stále roste a operátoři se snaží nalézt řešení, jak snížit náklady. Situace v ČR je podobná jako v ostatních zemích EU. Prostřednictvím substitučního efektu se sleduje rozdíl mezi objemem tradičních listovních zásilek a objemem elektronické komunikace. V ČR je tento rozdíl způsoben rostoucím počtem vlastnictví mobilních telefonů. Rozvoj hospodářství dále v ČR zapříčiňuje, že roste poptávka po poštovních službách vyšší kvality.

Klíčová slova: balíkové služby, e-substituce, expresní služby, listovní služby, poštovní služby, trendy na poštovním trhu

Summary

NEW TRENDS OF DEVELOPMENTS OF POSTAL SERVICES

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This article is about new trends which are traceable on postal markets and which will probably influence future development. It considers trends in e-substitution, parcel and express market, competition and also on Czech postal market.

E-substitution – new trend which means that traditional forms of mailing and postal services will be substituted by one of electronic forms of communication. But, this replacement has its own frontiers – classic mail will be never wholly replaced by e-mail, in future we are more likely awaiting cooperation or complementation between these two streams. Parcels and express services are not affected by e-substitution and in future will still constitute opportunities for competition.

Competition on all EU markets (including Czech republic) will grow and will make all operators to find how to spare costs. Situation on Czech postal is similar with situation in other EU states. Substitution effect between classic letters and electronic communication can be also

observed. The decrease of volume of traditional post letters is connected with increasing ownership of mobile phones in Czech Republic. Development of Czech economy causes that customers demand more often more postal products of higher class.

Keywords: e-substitution, express services, mail, parcel mail, postal services, trends on postal market

Zusammenfassung

NEUE TRENDS DER POSTDIENSTLEISTUNGEN DER ENTWICKULNG

Libor ŠVADLENKA, Eva CEMPÍRKOVÁ

Der Beitrag befasst sich mit neuen Trenden, die an dem Postmarkt beachtet sind und die die Zukunft der Entwicklung beeinflussen wollen. Das stellen die Trends in E-substitution, Packet- und Expressmarkt, Wettbewerb auf dem Postmarkt in der Tschechischen Republik.

E-substitution neue Trends, die bedeuten, dass die traditionelle Formen der Briefpost und der Postdienstleistungen sind durch die elektronische Kommunicationsformen substitiert. Aber diese Versetzung hat auch seine Grenze – klassiche Briefpost kann nicht ganz durch E-mail ersetzen, in der Zukunft werden wir die Kooperation oder die Ergänzung erwarten. Packetts- und Expressdienstleistungen werden in der Zukunft die Gelegenheiten für die Wettbewerb vorstellen.

Die Wettbewerb auf dem Markt der EU (enthält auch die Tschechische Republik) wird wachsen und wird pressen, dass alle Operators die Kosten sparen. Die Situation in der Tschechischen Republik ist ähnlich mit der Situation in EU. Der Substitutioneffekt kann zwischen dem Volume der traditionellen Briefpostund der elektronischen Kommunikation beachtet sein. Der Abshied des Volumen der traditionellen Briefpostund ist mit dem wachsenden Handyeigentum verbunden in der Tschechischen Republik. Die Entwicklung der tschechischen Wirtschaft verursacht, dass oft die Nachfrage nach den Postprodukten der höhere Klasse wachst.

Schlüsselwörter: Briefpost, E-substitution, Expressdienstleistungen, Postdienstleistungen Packettsdienstleistungen, Trends auf dem Postmarkt