

Foreign postal services reveal opportunities for innovation, profits

As reported in last month's *Postal Record*, Great Britain recently sold off the Royal Mail, privatizing one of the world's largest and oldest postal services. While conversations about foreign postal services must consider privatization, no picture of what is happening in the wide world of mail is complete without looking at countries that are investing in their postal services, finding new ways to innovate and profiting from them.

"Around the world, government leaders are deciding whether to carve up their postal services and sell them to the highest bidders or to realize the potential they have in their postal networks and give them the tools to innovate," NALC President Fredric Rolando said. "When they choose to innovate, these postal services often find new and remarkable services for their customers, in a way that profits the public and not just private businesses.

"NALC is working hard to educate our leaders in Congress and the White House to create legislation that allows the United States Postal Service to innovate and succeed rather than cut it until it has lost all of its value."



Many industry analysts point to Switzerland's Swiss Post as the leader in postal innovation. Like other posts worldwide, Swiss Post is facing many challenges in traditional delivery as electronic diversion (business that was traditionally done through the mail that is now being done online) is a major issue for the technologically advanced country.

With margins shrinking and costs rising, Swiss Post projects that traditional mail will decline by one-third by 2015.

To help combat these declines, Swiss Post has introduced several new products. Perhaps the most innovative of these is the hybrid mail product Swiss Post Box, which allows customers to receive by e-mail scanned images of their paper mail. They then can decide whether to have Swiss Post open a letter, scan the contents, and e-mail them; to have the letter destroyed; or to have it physically sent to the original or other address. Many postal industry observers believe that this hybrid approach represents an important model for the future of mail around the world.

Swiss Post Box is just one of the organization's "ePost Solutions," which also includes secure identification on the Internet, legally compliant electronic signatures and verified electronic mail, essentially linking a person's virtual identity online to a real person offline. To do it, Swiss Post developed an identify verification system called "Post SuisseID" using USB thumb drives, which the post brands as "SwissStick." A customer can use the USB stick on any computer to establish his or her secure identity.

"Swiss Post wants to satisfy the needs of its present and future customers and stay competitive, too," the agency says on its website. "That is why it is continually developing its products and services and designing new ones. Developing innovations is one of Swiss Post's strategic objectives."

Swiss Post boasts about special management teams that aim at developing innovations. It even launched a year-long competition open to all of its employees, called PostVenture, that gave employees access to external

training and coaching on developing entrepreneurial ideas to improve all of Swiss Post's business lines.

The postal service also offers money transfers and bill payment, ATMs, automated postal services, e-tracking, and even passenger transport through its PostBus service. The financial services account for much of the agency's profit, though Swiss Post has been seeing its delivery profits increase with the increase in package delivery, just as USPS has.



Another innovator is Brazil's Empresa Brasileira de Correios e Telégrafos, or ECT for short (also called Correios). Wholly owned and operated by the government of Brazil, ECT is the only company with a footprint in every municipality in the country. It has a monopoly on mail service, but also a universal service obligation, which is a challenge in the large country, as its infrastructure is so poorly developed. ECT also operates the express mail company Sedex. However, traditional mail delivery is becoming a smaller part of ECT operations and revenues. As elsewhere in the world, mail volumes are trending downward.

With an extensive network of 12,200 post offices, ECT has been reinventing itself as a "bank of services" for Brazilians, contracting its distribution infrastructure to other government agencies and private businesses.

These services include bill processing, tax registration, online access, forms and documents, auto registration, passports, voting, fee collection and more. By operating as a retail location for these services, ECT has found a valuable source of revenue, accounting for as much as 20 percent of its income.

Through joint ventures and contracts, ECT also has moved aggressively into banking services of all kinds. While many countries' postal services are synonymous with banking, Brazil didn't get into banking until 2001. At that time, ECT and Brazil's largest bank, Banco Bradesco, entered into a 10-year joint venture whereby Bradesco could use ECT post offices as bank branches, especially in remote areas. Because no one knew what to expect from a postal bank, the initial 10-year contract was valued at approximately \$125 million.

The new venture, Banco Brazil Postal, was so successful—offering deposits, loans, credit cards, bill payment, direct deposit, tax and social security payments, as well as phone and Internet banking on Bradesco's network—that when the 10-year contract ended in 2011, ECT awarded a new five-year contract to the Bank of Brazil for \$1.5 billion.

The revenues from these non-mail services are helping to offset the expense of delivering to the entire country, as delivering the mail with reasonable promptness across Brazil remains a formidable undertaking.



Mirroring the USPS, Canada Post was a post office department until

1981, when it became a government-owned corporation. Canada Post provides service to 14.8 million addresses, delivering 9.8 billion items in 2012. Delivery service is performed by 15,000 letter carriers.

Though it is not as innovative as Swiss Post, nor has it seen as large a profit swing as Brazil's ECT, the postal service of our neighbor to the north has found several small ways to innovate that will look familiar to USPS city letter carriers.

In 1993, Canada Post purchased Purolator, a competing courier company. In 2010, this branch of Canada Post was the leading overnight courier company in the country and contributed 18.8 percent of Canada Post's revenue. Canada Post also maintains an agreement with FedEx Ground in which the national post delivers FedEx packages to some of the country's more rural and isolated addresses.

In 2000, Canada Post created a company called epost, which allowed customers to receive their bills online for free. It offered all-in-one-place convenience for bills and statements for cable, phone, utilities, credit cards, property taxes and more. Eventually, Canada Post absorbed epost.

In 2010, it also launched a comparison shopping service for Canadians called Canada Post Comparison Shopper. It allowed shoppers to find and compare products available to Canadians from more than 500 stores across the USA and Canada. Notable features included price comparison, store policy information, cross-border shipping, duties and fees estimation, price history charts, reviews and color search ability. However, as of 2012, the Comparison Shopper service was no longer available.

In September 2013, Canada Post announced a pilot program in Toronto to provide same-day deliveries for online purchases from Walmart, Best Buy, Future Shop and Indigo Books & Music. The cutoff times for ordering and having a package delivered the same day ranged from 11 a.m. at Best Buy to 12.30 p.m. at Indigo. Canada Post was promising delivery by 9 p.m.

"In testing, we want to see if online shoppers actually embrace it," said Rod Hart, general manager for domestic parcels and e-commerce development at Canada Post. "Will consumers really change their behavior because they can order something before lunchtime, in the morning, and have it delivered that day sometime between 5:30 and 9?"

If the pilot program is successful, Canada Post has promised to expand it to other urban areas.

Though not all of its innovations have been successful, and it has taken some steps backward on door-to-door delivery, Canada Post has proven to be adaptable and open to putting innovations into practice quickly. The Canadian Union of Postal Workers has helped by negotiating agreements with Canada Post to create joint committees of representatives from both the union and management, where product ideas that both sides agree on can quickly be implemented. These agreements have granted the employer speed and flexibility to deal with new conditions.

"There is no one right formula for the perfect postal service," President Rolando said. "Postal services are as different as the countries they serve. But by taking advantage of the unique delivery networks, there's a world of opportunity to deliver for a nation's citizens." PR