COORDINATES OF POSTAL SERVICES MARKET IN ROMANIA

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Abstract:
This paper contains a research regarding the actual status of Romanian postal services market both from legislative and economic point of view in the context of EU integration. The main objectives of this research were to identify the position of Romanian postal services among the EU member countries and to analyse the competitive environment on the local market in order to find future development strategies for the local companies. The outcomes of our research show a wrong position of Romanian postal sector both regarding the number of permanent offices and financial results of local competitors. The lateness of structural reforms could be a barrier for the future market liberalisation with serious consequences from the social point of view. In this context, a high implication of authorities is expected in order to ensure the adoption of EU regulation with a minimum of negative effects both for population and service providers.

Key words: marketing and management strategies, postal service market, service liberalisation, EU regulation, socio-economic policies.

Introduction

Postal services represent one of the most important industry of the national economy both from the market players' and authorities' points of view. Such service providers serve a large number of market segments including people and companies, being involved a large number of employees and important amounts of money. The market has been dominated for many years by different kinds of monopolies, especially companies that activate under the government umbrella. The new way opened by the European Directives concerning the fully liberalisation of postal services market put in the front of companies various challenges that have to be managed using proper marketing and management strategies. The obligation of our country to apply the 3rd Postal Directive till the end of 2012 has determined us to put in practice this investigation starting from the following hypotheses that arose from the literature and other secondary data sources: **Hypothesis 1:** The Romanian market is quite far behind other EU member countries in terms of development and liberalisation; **Hypothesis 2:** The postal market has increased its attractiveness in the last years, so that many companies benefitted by the market opening; **Hypothesis 3:** The economic recession affected the business of local competitors; **Hypothesis 4:** The local companies have no good financial positions but there are resources that could by fructified by these ones in order to strengthen their market positions.

Starting from the above hypotheses, our research has been focused on several statistical data gathered from various European and national institutions. The analysis has been made at the industry level in order to identify the coordinates of the regulatory system and the positions of various countries in this context. Further, the analysis has taken into consideration the market actors' perspectives (service providers and consumers). The outcomes revealed that the fully liberalisation of Romanian market till the end of 2012 needs a strong involvement of the national authority (ANCOM) in assuring the Universal Service Obligations (USOs) for the population with minimum social and economic costs for the existing service providers. On another hand, the service providers need proper marketing and management strategies that should focus especially on increasing the turnover and decreasing the operational costs.

1. Literature review

The service sector is very important for the economic development of every country, the statistical figures showing that the economies with high shares of service sector have generally a high level of prosperity (Constantin, 2008). In spite of the economic crisis that generated a lot of failures among the service providing companies, the ratio of service sector in the developed countries' GDP has not changed during the last years, which means that service sector still plays the most important role in the economy. The statistics published by the European Central Bank reveal mean ratios of service sector that exceed 70% of the Gross Value Added recorded at the level of EU countries, USA or Japan (ECB, 2012).

The service sector has a high heterogeneity due to a huge variety of services: some of these ones are provided to people and other to companies; some services are work-intensive, others are technology-intensive or both work & technology intensive. Technology is the underlying reason for the shift from traditional services based on a face-to-face interaction to an IT-based communication that could simplify the service providing process or could generate changes in consumer behaviour regarding certain specific services (Davis, Sphorer et al., 2011).

Talking about postal services, the technological development has a great impact on both service process and products offered to the customers. Thus, some traditional products have been changed with modern ones that are technology-intensive (e.g. the traditional mails - replaced by e-mails, money transfer – replaced by Internet banking etc.). On another hand, the processes have been improved by using the IT in providing postal services (invoicing, traceability, order processing etc.). The importance of technology for the service providers is underlined in the literature. Some authors state that those service firms that will survive and prosper in the future will encourage change and welcome new technologies, which must play an integral role in every service organization's strategy (Davis, Sphorer et al., 2011, Ropret, Fatur et al., 2011).

The process of postal services claims a high complexity as it combines activities from various fields like communications, advertising, transport, financial services etc. In addition, postal services provide along social benefits which cannot be quantified in economic terms. They are an important mean by which individuals can communicate with each other and receive information. Postal services are considered a service of general economic interest, being a key industry for the EU economy (European Commission, 2008). Due to this complexity, postal services have benefitted by a high attention from the policy makers and regulatory systems. One of the biggest challenges in many countries was the liberalisation of postal service market, which has faced with a high domestic resistance (Eckert, 2009).

According to the same author, the liberalisation and privatisation of the national post companies has become a global trend. In spite of this trend, even the largest countries of EU are in great delays with their postal reforms. France transposed some of EU regulations in its legislative system, but the national company is still state owned and the main political forces are conservatory to its privatisation. On another hand, Germany started the reforms in postal services in the early 90s, but the issues regarding the social component still exist. Germany is better positioned than France in the postal market liberalisation due to a political compromise but the barriers towards a fully free market are not completely averted (Eckert, 2009). Taking into consideration the above mentioned issues, it is hard to believe that the EU members (excepting the 11 countries that benefit by a delay till 2012) finished the liberalisation of postal service market at the end of 2010, as it is stated in the Third Postal Directive that was adopted in 2008 by the Council and the European Parliament. At the moment it is not issued an official report of the Commission regarding the actual liberalisation of postal market.

Another main issue regarding the postal market liberalisation is concerned to the customers' right to receive reasonable services in terms of price and quality irrespective their home addresses (urban or rural areas). This right is part of a document, known as Universal Service Obligations (USOs), which guarantee that all consumers have access to a basic package of services at affordable uniform prices and that the services have a minimum level of quality (Calzada, 2009). This right could be infringed if the market is not correctly monitored, as the competitors tend to serve only the most profitable segments. For this reason some policy makers state that certain operators have to obtain some exclusive rights that allow them to cover the costs involved by assuring the USOs.

2. Research objectives and methodology

Starting from the above issues regarding the postal services market, we conducted a research meant to analyse the actual stage of this market in Romania, taking into consideration the importance of postal services for the entire society, both from customers' and employees' points of view. The main objectives of this research were to identify the position of Romanian postal service in the context of EU market; to analyse the competitive context on local market and the stage of liberalisation; to find a perspective of future development and proper marketing strategies for the local companies.

The research is based mainly on official statistical data collected from national and European institutions. First of all, we made a positioning of our country among the European Union members according to the number of postal offices related to the area of territory. The next step was to delineate the coordinates of local market. The data were analysed in their dynamic during the last years in order to identify some trends and evolutions, including the impact of economic recession on this sector.

3. Romania's position among the EU countries

The specificity of a national postal services market is given by several factors underlined in the literature: geography, topography and population density; the legacy of service provision by the public incumbent; the socio-economic situation; politico-institutional settings (Eckert, 2009). The first category of factors plays a very important role as they could not be changed and the operators have to offer to all citizens the opportunity to benefit from postal services. Therefore a high territory claim a high number of contact points and the number of people served by an office depends on the population density. This fact could affect the profitability whether an office serves a low number of people. On another hand, if companies establish a low number of contact points could have negative implications on the level of customer satisfaction.

In this respect we analysed the positions of EU members concerning the number of post offices in relationship with the area of every country's territory (see figure 1). The scatter diagram shows a direct linear correlation between the number of permanent post offices and the area of territory, but some points deviates from this trend. There are countries with closed area of territory but with huge differences regarding the number of permanent offices. For example, Italy has 13 times more permanent post offices than Finland, even their territory areas are very closed. This difference could be explained by the population density, which is very low in Finland in comparison with Italy. Other countries with a low number of permanent offices are Sweden, Spain and Romania.

The analysed statistical data reveal a weak position of our country among the other EU members as regards the number of permanent offices in comparison with its territory area. It means that the postal services market has to be developed in order to reach a high level of service availability for the citizens. This developing should be based on proper public policies meant to encourage a fair competition and a sustainable growing. The main objective of such policies has to be the placement of our country on the trend line existing inside the European Union as regards the access points for the population.

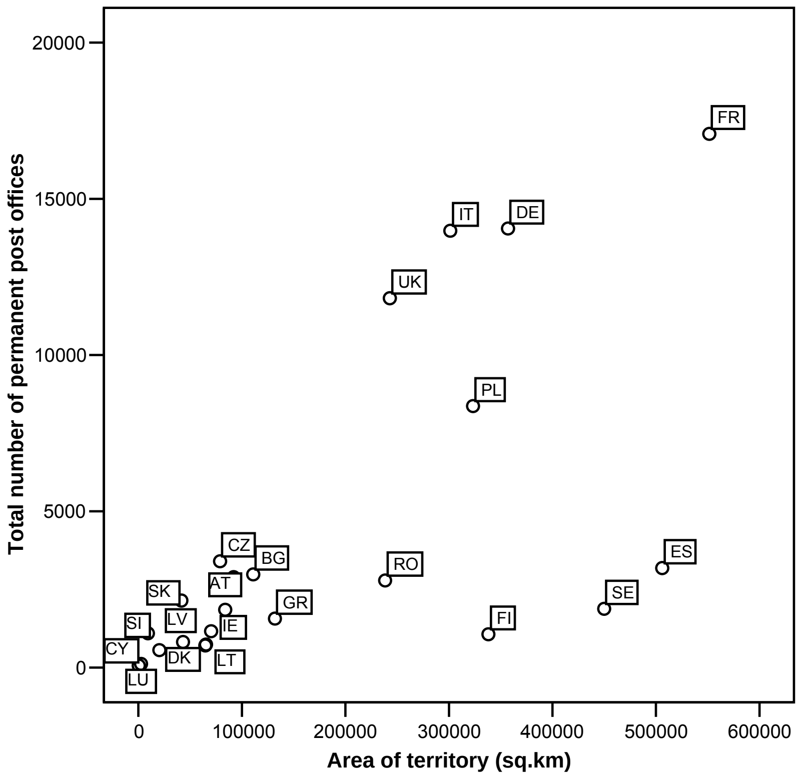

Figure 1. The correlation between the area of territory and the number of post offices in EU countries in 2010

Data source: Universal Postal Union- Postal statistics on www.upu.int

Concerning the other factors that influence the postal market, Romania has also a not so good situation, as the national service provider Posta Romana is still state owned and various political forces have special interest in protecting this status. On another hand Posta Romana is one of the biggest employers, having more than 36000 employees, which represent 77.4% of the total staff working in this industry. In this context, political forces fears about social problems associated with the privatisation of this company, especially in this recession period, when the unemployment has a high rate.

4. Characteristics of the Romanian postal services market

The Romanian postal services market is ruled according to the European Union's directives, which have been transposed in the national legislative system. This regulatory system has been focused on the market liberalisation through the simplification of the authorization process of service providers, along with specific measures meant to assure the Universal Service Obligations (USOs). The USO's involve Member States in ensuring the right of users to a permanent provision of a postal service with specified quality at all points in their territory at affordable prices for all users. To this end, Member States shall take steps to ensure that the density of the contact and access points takes account of the needs of users. According to this right, the providers have to guarantee minimum one clearance and one delivery to the home or premises of every natural or legal person, every working day and not less than five days a week. Some exceptions could be defined for circumstances or geographical conditions deemed exceptional by the national regulatory authorities, which must be communicated to the Commission and to all national regulatory authorities. According to the first Postal Directive, each Member State shall adopt the measures necessary to ensure that the universal service includes the following minimum facilities: the clearance, sorting, transport and distribution of postal items up to two kilograms; the clearance, sorting, transport and distribution of postal packages up to 10 kilograms; services for registered items and insured items (European Commission, 1998).

According to that time regulation, the national authority could grant a universal service provider with an exclusive right for certain reserved services. This right has been reduced during the time but a report of the European Commission from 2006 stated that this exclusivity is the largest barrier to the completion of the Internal Market as the provision of letters up to 50g (that accounts for the majority of all postal items) were still monopolised (European Commission, 2006). The 3rd Postal Directive from 2008 abolished the reserved rights for 16 Member States, granting 11 countries with a transition until 31 December 2012: Czech Republic, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, Romania and Slovakia (European Commission, 2008).

In our country, the National Company Posta Romana was nominated as provider of USOs on the entire national territory, having reserved the exclusive rights to provide postal services covering mail items, whether their delivery is accelerated or not, whose weight is less than 50g, against a price inferior to RON2. This special right is reserved until the end of December 2012, the due data for fully liberalisation of Romanian market (ANCOM, 2012).

The regulation of Romanian market is made by the National Authority for Management and Regulation in Communications (ANCOM), which is the body that protects the interests of the communications users in Romania, by promoting competition in the market, ensuring the management of scarce resources and encouraging innovation and efficient investments in infrastructure (ANCOM, 2012).

The evolution of local market in the last years regarding the number of deliveries posted has had a sinuous pattern, with a high increasing till 2007, followed by a significant decreasing that reached a lower number of deliveries in 2010 than in 2005 (see Figure 2). The trend is given by the domestic deliveries as far as the external traffic remained constant over the years. The domestic traffic was highly affected by the economic recession, which determined a huge decrease of the number of deliveries posted during the last years of the analysed period. Thus, this number decreased with 33% in 2009 in comparison with 2008 and with an additional 11% in 2010 comparing with 2009.

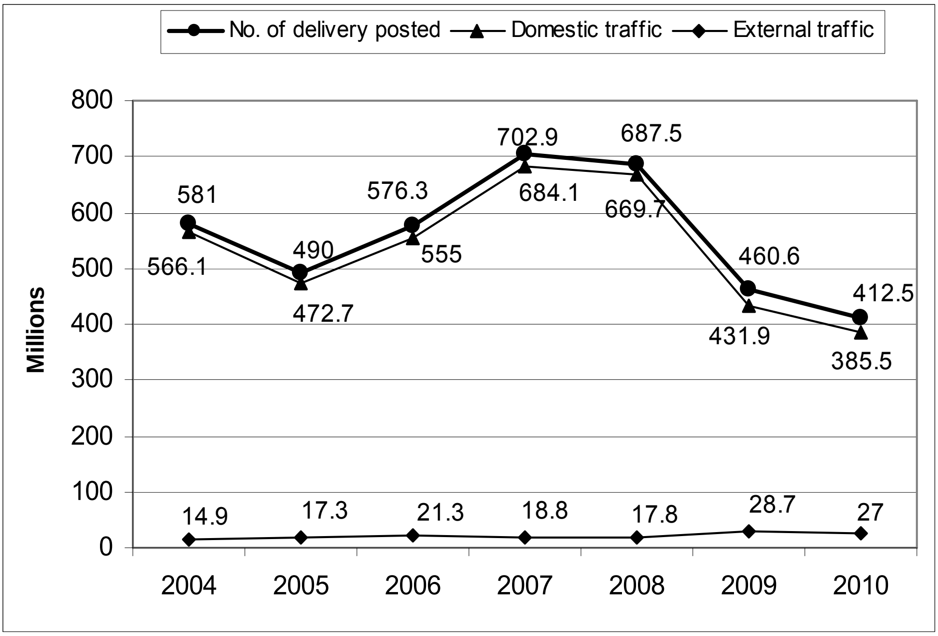

Figure 2. The evolution of postal deliveries in Romania in the period 2004 - 2010

Data source: ANCOM (2011), Report regarding postal service market in Romania, 2010, on www.ancom.org.ro

The above trend is expected to have a negative impact on service providers' activity and generally on the competitive environment. In this respect, the evolution of the number of authorised providers followed a similar increasing in the economical boom period, followed by an impressive decreasing in the crisis period (see Figure 3). Starting with year 2005, ANCOM has published also a statistic of active providers due to the fact that not all the authorised companies have a real activity during the year. The evolution of the number of companies reveals a lag in comparison with the market trend. This phenomenon is explicable as far as a lot of companies were motivated to enter on the market by the industry's attractiveness during the economical boom. This attractiveness disappeared soon and a lot of providers have been forced to leave the market. But this leaving is quite delayed in comparison with the market trend, as it is shown in figure 3.

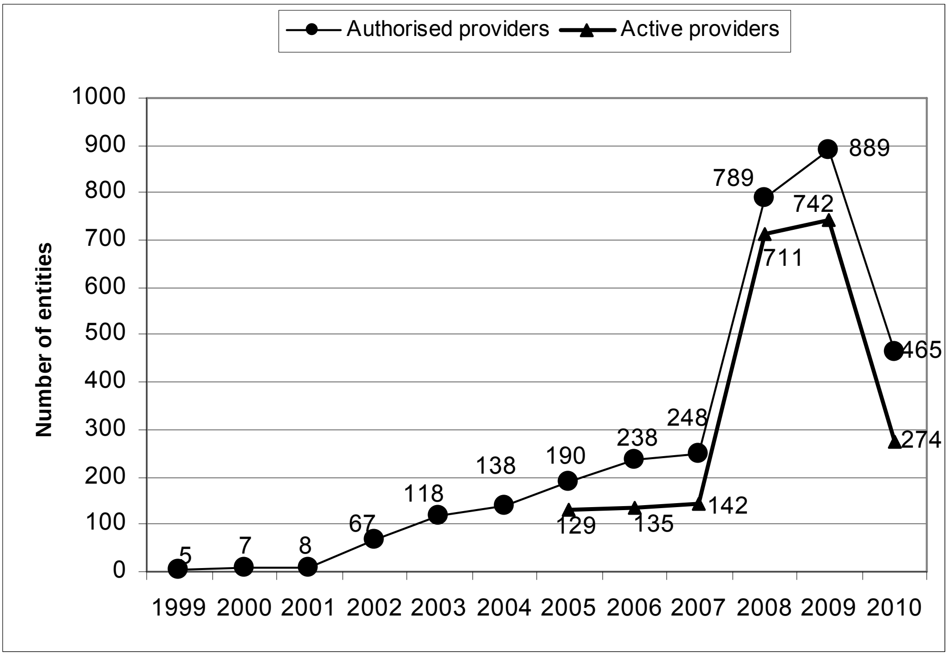

Figure 3. The evolution of local authorised companies between 1999 and 2010
Data source: ANCOM (2011), Report regarding postal service market in Romania, 2010, on www.ancom.org.ro

According to ANCOM reports even there is a tendency of local providers to ask for authorisation in delivery all services from USOs, the statistical data of 2010 show that the most providers focused on parcels with heights up to 10 kg and letter post up to 2 kg. These deliveries seem to be the most profitable and preferred by the postal service operators, especially the speed deliveries. The information presented in Figure 4 show that the national operator is leader on all main postal services segments, but its market share is lower on the express deliveries' market. This segment is the most attractive for the private providers as it offers the opportunity to obtain good prices for normal services that are tailored to some specific customer needs and a little bit accelerated in comparison with other ordinary services. This segment has been neglected by Posta Romana for a certain period that allowed private companies, which are more flexible, to gain significant market share. Thus, the other high volume providers recorded in 2010 a market share of 37.05% on the express delivery market, while the rest of providers recorded only 1.32% (see figure 4).

The high volume providers in Romania, excepting the national operator, are considered the following private companies: Cargus International S.R.L., Direct Post Services S.R.L, DHL International Romania S.R.L., Dynamic Parcel Distribution S.A., Fan Courier Express S.R.L., Inform Media S.R.L., Nemo Prod Com Impex S.R.L., Postmaster S.R.L., Rapid Carpat Curier S.R.L., TCE Post S.R.L. (ANCOM, 2011). These companies have put in practice strong marketing strategies that allowed them to gain important market segments and to increase their businesses. They succeeded especially in their relationships with business companies that cancelled the cooperation with Posta Romana. The companies involved in e-commerce have also preferred these private operators that offer door-to-door services, more performing than the Posta Romana's ones.

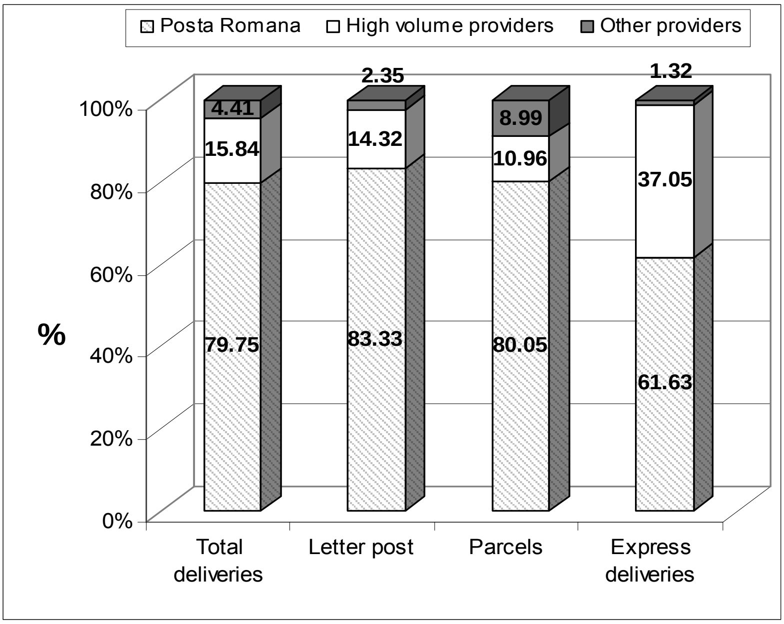

Figure 4. Market shares on the main categories of postal services in 2010
Data source: ANCOM (2011), Report regarding postal service market in Romania, 2010, on www.ancom.org.ro

The analysis of statistical data reveals that the postal service sector is quite attractive for private operators as the number of these ones increased significantly in the last years. From another perspective, this market arise a lot of threats in front of market actors, as far as to provide these services a company needs a lot of people and an impressive logistic that includes contact points, collecting and sorting points, transportation means etc. These exigencies have led to a lot of failures that forced many companies to leave the industry in the last years, especially on the background of economic recession.

5. Financial and social implications

The attractiveness of an industry is mainly given by the profitability of this one. In this respect, it is very important to analyse the financial results of companies that activate on this market. On another hand, the sector liberalisation could have severe social implications on the employees existing in the present system.

The analysis of statistical data reveals that the majority of EU companies recorded significant profits in the previous years, while Romania has the worst position with continuous losses between 2008 and 2010 (UPU, 2012). These unfavourable results were caused mainly by the national operator, Posta Romana, which recorded huge losses in the last years that exceeded EUR40 million in 2009. These losses come after a period with good profits between 2005 and 2007 (see fig. 5). But in the last time Posta Romana, a state owned company, has lost the control of costs due to a bad management. Various analyses carried on by local mass-media revealed that the company's board has been appointed on political criteria and a lot of disadvantageous contracts have been concluded in the last period of time (Petrescu, 2011).

In figure 5 is represented the evolution of profits recorded by the most important Romanian competitors on the postal services market, which had turnovers in 2010 higher than EUR10 million.

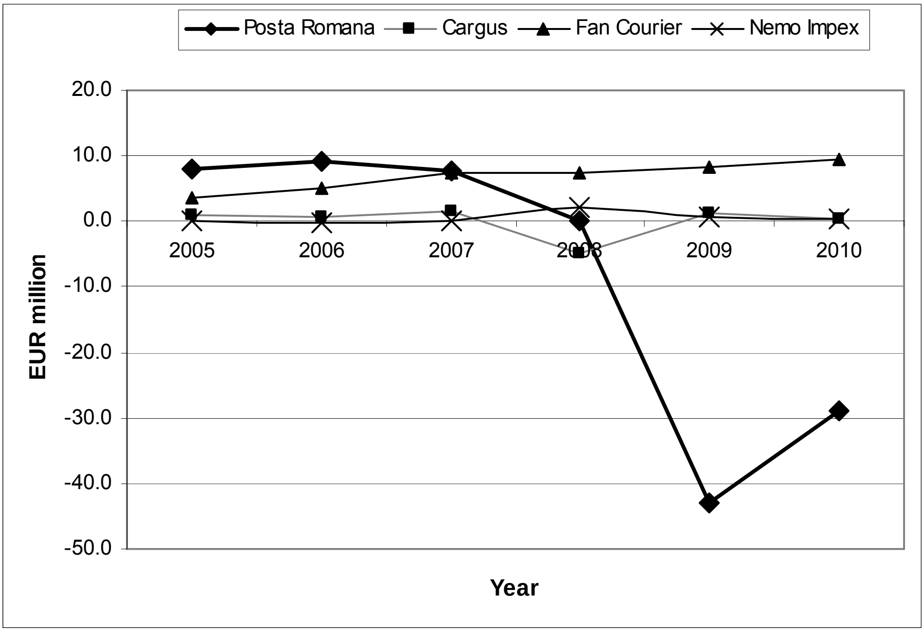

Figure 5. The evolution of profits recorded by the most significant operators
Data source: Romanian Ministry of public finance, www.mfinante.ro

The sole Romanian high volume provider which recorded a constant increasing in profits is S.C. Fan Courier Express S.R.L. These company reached in 2010 almost EUR10 million net profit, having a very good cost management that generated profit rates higher than 20%. In the same time, the company's marketing orientation allowed significant increasing of the turnover. The rest of companies with a significant activity on postal service market recorded very low profits or even losses (see fig. 5).

The structural reform of Romanian postal service sector could generate social problems as far as the National Company Posta Romana has to re-engineer its operations in order to reduce the expenses and recover the profitability. In this context, the number of employees, which exceeds 35000 persons, could decrease significantly with negative influence on the unemployment rate and purchasing power of families during this economic recession period. The fully liberalisation could cause a decrease in the future company's turnover as the private operators will try to attract the most profitable services in the next period. Thus, the fixed costs that are the most important in this industry could not be covered and the profitability issues will become more and more stringent.

Conclusions

The postal services have a crucial importance for every country as they contribute to the freedom of communication and goods' circulation. For this reason, the European and worldwide policies regarding these services are strongly focused on assuring the above mentioned freedoms that can lead to a high level of customer satisfaction. All citizens have to benefit from postal services at reasonable prices and in certain conditions of service quality. On another hand, the market has to offer equal chances for service providers to provide all categories of postal deliveries in the condition of a free market. The issues regarding the market liberalisation are strongly conditioned by the actual status of every national market, which is mainly characterised by the domination of a national company. These companies were former state owned or they are still state companies, they have an impressive logistic and a high level of territory coverage. For these reasons some specialists appreciate that such companies should be protected in order to reach the objectives of this specific market.

As it is specified in literature, the fully liberalisation but also the privatisation of national companies could arise strong social issues as these companies involve a high number of employees in providing postal services. Nowadays the social problems are amplified by the economic crisis, which has led to a high unemployment rate in the last period. According to certain researches, in crisis period the companies focus on cost reduction that could allow them to reduce prices and to obtain a reasonable profit level (Nistorescu and Puiu, 2011). This behaviour could lead to an infringement of the Universal Service Obligations, as far as many service providers could apply niche strategies in order to reduce the operational costs. On another hand, the fully liberalisation of postal services could open the market to strong foreign providers, which can come with a more performing management and marketing expertise. In this respect we can expect usual customers to prefer these foreign companies instead of Romanian ones as it is known that local consumers are willingly to experience new products and services in order to enhance their satisfaction (Craciun and Barbu, 2011). As foreign services could be perceived with a better quality and image, the local consumers could buy on a large scale the services provided by these foreign companies. This behaviour could threaten the positions of the local companies that are involved in providing USOs, with direct consequences in poor service quality and dissatisfaction of customers from some isolated areas.

Taking into account the above considerations, the national regulatory system represented by ANCOM should find solutions to assure with high priority the Universal Service Obligations (USOs) as the EU regulation requires. In this respect, the developed countries' experience should be fructified in order to benefit from some best practices and to avoid certain pitfalls. A recommended solution could be an accurately monitoring of companies in providing all the required services without exceptions. All these companies should demonstrate a specific level of service providing staff and a number of contact points that could be accepted for this kind of services, along with a certain level of service quality certified by an external body. Such policy should assure the same rights to all providers but also uniformity in service quality which avoid the focusing only on the most profitable areas. The regulation organisation must be empowered with the authority to punish all the companies that infringe the customer rights but also the competitors' positions on the market.

At the microeconomic level, in order to avoid the threats of the market liberalisation, the local companies have to put in practice marketing and management strategies meant to place them in a favourable competitive position. In these strategies, they have to consider that people take decisions based on a hierarchy of values. These ones are ordered according to their importance as a result of both previous experience and a social awareness based on tradition. Consistent knowledge of cultural characteristics may allow companies to take the right marketing decisions that can assure a competitive advantage (Ferencova, 2010). These policies should be completed with relationship marketing strategies and customer satisfaction monitoring. According to the customer satisfaction theory, a dissatisfied customer could be turned to a reasonable level of satisfaction if their claims are favourable solved. In this respect, the national companies have to pay more attention to the customers' claims as some studies revealed that customers tend to have more claims concerning the big companies. But when a service recovery attempt is perceived as fair, customers tend to be less opportunistic in their claiming (Wirtz and Mc.Coll-Kennedy, 2010). Thus, the service recovery is very important for the company's marketing vision. The above mentioned strategies have to be the main scope of every postal service provider if they want to survive in a fierce competitive environment.

Focusing on proper marketing strategies could assure the adaptation of companies to customers' needs but also to a more intense competition.

The marketing strategies have to be sustained by proper management strategies, oriented towards the process quality and people motivation. For these reason, the internal communication could have a significant impact on personal relations, work productivity and corporate competitiveness (Ferencova, 2008). The communication should be part of the company's strategic plan as far as the service activity has to be planned in details in order to obtain a better competitive position. It is demonstrated that planning behaviour is more intensive in large companies than in smaller ones and firms tend to plan more intensively when they perceive their environment as moderately dynamic (Risseeuw and Masurel, 1994). For the National Company Posta Romana but also for the other postal service providers the managerial strategies have to be focused on cost control correlated with the level of turnover. The waste elimination along with proper marketing strategies could place the Romanian companies in an advantageous competitive position towards other EU competitors that will be interested in the next period to enter on the local market.

Taking into account the above analysis we consider that the main objectives of our research have been fulfilled and the research outcomes could be useful for decision makers both from macro and microeconomic levels. The main hypotheses have been confirmed and the results show us a high similarity with the issues underlined in the specialty literature. The future directions of our research will be focused on the customer behaviours and attitudes regarding the postal services in order to obtain an integrate view regarding this special market.

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