

DEVELOPMENT TRENDS IN THE STRUCTURE OF SERVICES OF THE PUBLIC POSTAL OPERATOR IN SERBIA

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Abstract: A public postal operator represents some of the largest and most important infrastructures in each country. Since most postal markets are very competitive, there is a clear need for redefining and modernizing the existing service portfolio of public postal operator. Many researchers estimate that traditional postal services will lose their usefulness. However, this should be investigated based on the real data which is done in this paper. The next question is what is the role of new services based on electronic, Internet and communication technologies. This paper analyzes the development trends related to the universal service obligation and commercial services. The research is based on the ratio of the volume of services and achieved revenue in the case of public postal operator of the Republic of Serbia. Based on the conducted analysis, the operator could form an adequate business strategy.

Keywords: public postal operator, structure of services, revenue, strategy.

1. Introduction

The raising expectations of users and increasing competition on the postal market are some of the indicators of the necessary changes in the sector. In such circumstances, one of the most important questions for public postal operators is how to preserve the traditional postal services and to expand the current service portfolio with new services which would increase the profit and maintain a leading position in the market. To answer this question, a public postal operator (PPO) should analyze the requirements of the market, the needs of its users and the trends in volumes and revenues.

Observing the annual performance of the PPO in the Republic of Serbia over the past few years, it is noticeable that in 2016 the universal postal service (UPS) for the first time achieves lower revenue than commercial services. The share of UPS in the total postal services is still quite high; however, it is declining on a yearly basis. By reducing the volume of UPS, the unit cost per service is increased, which endanger the sustainability of the existing concept (RATEL, 2017).

Certain indicators show that services from the commercial domain are extremely profitable. The growing development of information and communication technologies leads to a reduction in the volumes of traditional postal services (especially letter post) and inevitably to increasing the cost of providing them. All this stipulates the need to redefine and modernize the existing service portfolio of PPO.

The paper deals with trends in the structure of services of the PPO in the Republic of Serbia. The time interval of four years, from 2013 to 2016, was taken into consideration. The aim of this paper is to examine the trends in both the postal market of the Republic of Serbia and the structure of services of the PPO which, in addition to reviewing the current situation, could contribute to the creation of new business strategies of the PPO from Serbia.

2. The Role and Importance of the Public Postal Operator and Postal Services in the Economic and Social Development of the Republic of Serbia

The postal services have a significant and specific economic function and they are one of the drivers of the development of economy and society. They are vitally important primarily for users and state functioning and this fact represents one of the reasons why postal services are considered as services of general economic interest. The postal sector in the Republic of Serbia, as part of the tertiary sector, is a significant element of economic and social development of the country. This is particularly evident having in mind that the postal services are not important just for the companies providing them, but also for other business, citizens and state institutions.

The efficient and high quality postal services have a great positive impact on the economy and society as a whole, especially in the transport sector. Postal services are very sophisticated services where the technical and technological innovations have been constantly implemented, primarily in the field of information and communication technologies. Accordingly, they represent an activity that, in addition to its own sustainable economic growth, can successfully support further economic development of Serbia. In addition to the economic value of postal services and networks, they also have an enormous social value by creating conditions for improving the lives of individuals or the entire society (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, 2017).

Table 1

Participation of the public postal operator and the total postal sector in GDP (in percentage)

Year	Public Postal Operator	Total Postal Sector
2013	0.23	0.36
2014	0.25	0.38

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2015	0.25	0.40
2016	0.24	0.40

Source: Statistical Office of the Republic of Serbia

As can be seen in Table 1, the participation of the PPO as well as the total postal sector in the gross domestic product (GDP) of the Republic of Serbia has remained almost unchanged. The slight increase could be probably explained by an increasing degree of market liberalization in the segment of commercial services. Table 2 provides a support for the conclusion about the raising liberalization in the segment of commercial services. A significant increase in the number of postal operators on the market of the Republic of Serbia is noticeable.

Table 2

The number of postal operators in the Republic of Serbia (2013-2016)

Year	Number of Postal Operators
2013	47
2014	31
2015	36
2016	54

Source: RATEL, 2015; RATEL, 2016; RATEL, 2017; Public Transport Consult, 2018

3. The Postal Market in the Republic of Serbia

In this part of the paper, the postal market is considered from the aspect of UPS and commercial postal services, both in their volumes and revenues. It is noticeable that the volume and revenue of the UPS is registering a steady decline, contrary to commercial services where the volumes and revenues are gradually increasing. Figure 1 shows the relations between UPS and commercial services in the period from 2013 to 2016. A conclusion can be reached that there was a decrease in the relative number of USP volume compared to commercial services between the years 2013 and 2016. In 2013, the volume of USO was 89% higher than the volumes of commercial services. On the other hand this value decreased from 89% to 82.4% in 2016. The difference is even more significant in the relation between achieved revenues. In the year 2013 the revenue from UPS was higher for 6.2% compared to commercial services and four years later this revenue is smaller for 2.6% despite to the greater volume of UPS.

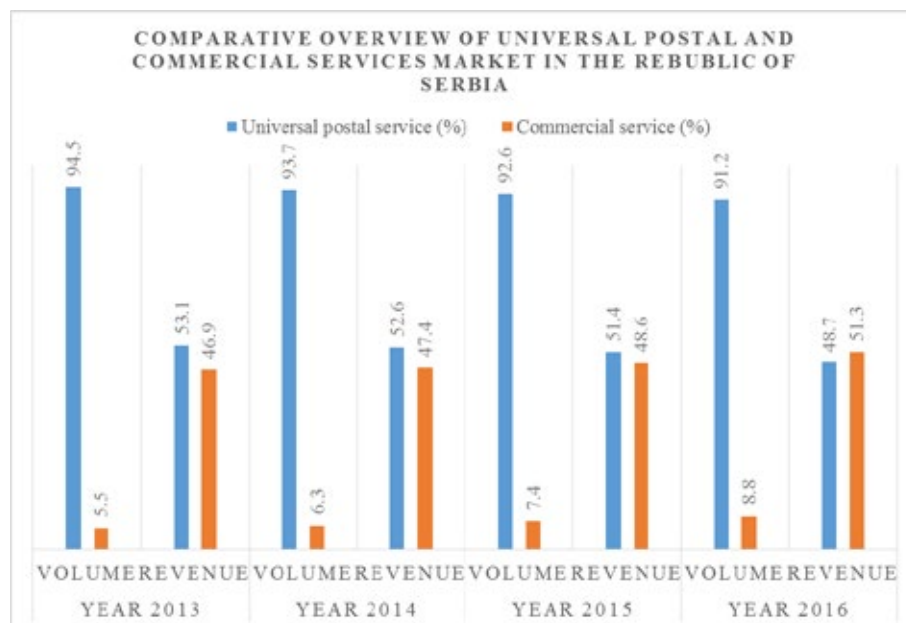


Fig. 1.

Comparative overview of UPS and commercial services on the market of the Republic of Serbia

Source: RATEL, 2015; RATEL, 2016; RATEL, 2017

3.1. Public Postal Operator and Competition

It can be noticed that the volume and revenue of the PPO have recorded a constant decline in comparison to the private operators where volume and revenue are gradually increasing. Private operators are providers exclusively of commercial services. Figure 2 shows that relative relation between the volumes of PPO and private operators in the considered period is going in favor of private operators. In the year 2013, we can notice a surplus for PPO of 92.4% in volumes compared to the private operators. However, in the year 2016 this surplus decreased to 87.8%. When it comes

to the revenues, the trend is similar. In the year 2013, there was a surplus for PPO of 30.8% in revenue compared to the private operators. However, in the year 2016 this surplus decreased to 23.2%.

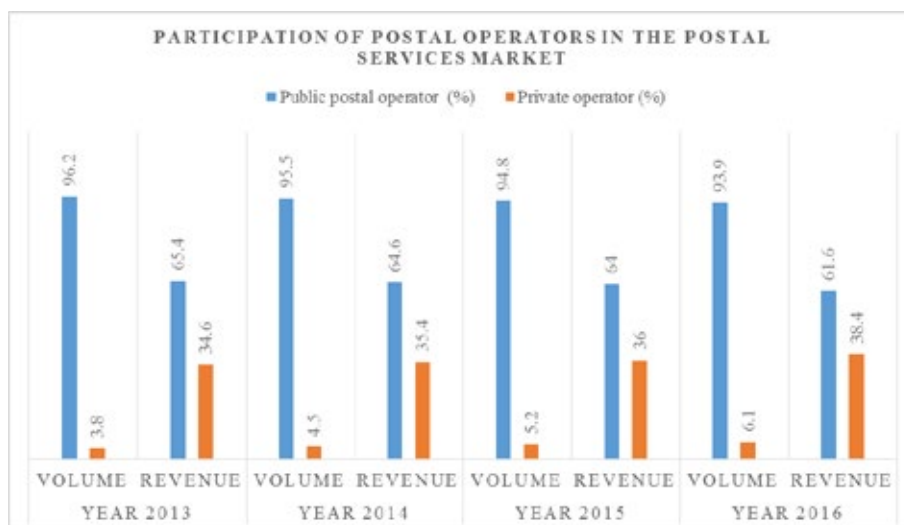


Fig. 2.
Participation of postal operators in the postal market
Source: RATEL, 2015; RATEL, 2016; RATEL, 2017

3.2. Structure of Services of the Public Postal Operator

In the structure of postal services performed by a PPO, the most dominant is UPS. As can be seen in Figure 3, the share of UPS in the total postal services of the PPO is relatively constant with a slight decrease in relative relation to other services. The main conclusion is related to Post Express – the courier and express service of PPO from Serbia. It is evident that this service has been rising during the years. Having in mind that the services in the field of commercial domain are highly profitable and that there is a high competition in this market, there are possibilities for further growth of these services of the PPO.

Figure 4 shows the trends in the structure of four types of services of the public postal operator in the Republic of Serbia. Those are:

1. Letter mail
2. Parcels
3. Post Express
4. Payment services

As shown in Figure 4, a decrease in the total number of letters is noticeable. In 2016, a decrease of around 27 million letters, or 8.85%, could be observed in relation to 2013. The decrease in the volume of letter mail has been steady since the beginning of the observed period and is the most vulnerable segment in the structure of services of the public postal operator.

Figure 4 also shows the downward trend in the volume of parcels by 2015, as well as a significant growth of express and courier services. This trend is primarily the result of the decline in the volume of parcels in domestic services.

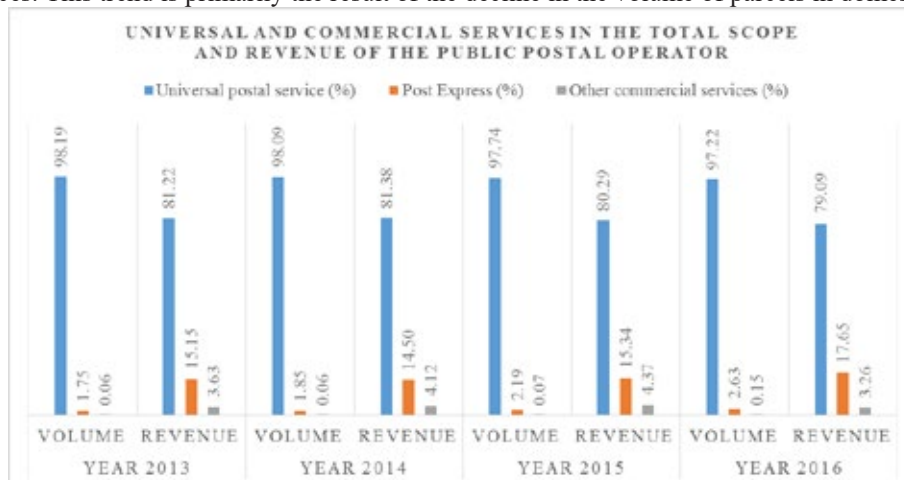


Fig. 3.
Universal and commercial services in the total volume and revenue of the PPO

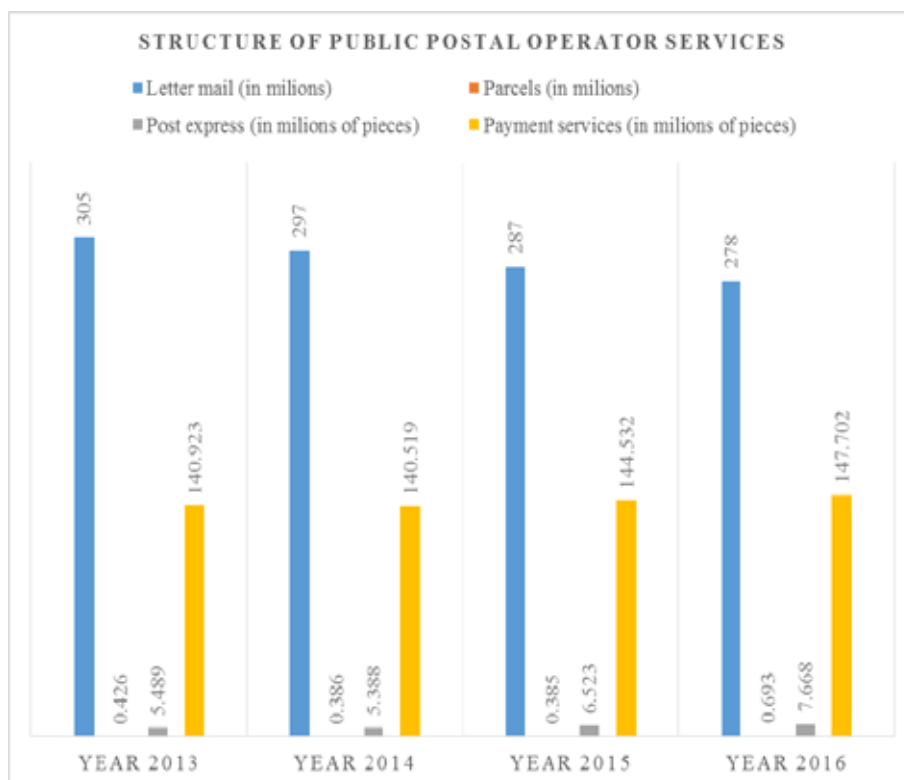


Fig. 4.

Structure of public postal operator services

Source: Statistical Office of the Republic of Serbia, 2018

For example, there is a decline of around 47,000 parcels from the year 2013 to 2014 or 12.53%, while in 2015 compared to 2014 there was a decrease of 2.74% or 9,000 packages. In 2016, in comparison with 2015, a huge growth of parcels in domestic services is recorded for the entire 94.67%. Related to the international parcel services, year-on-year growth in the volume of parcels is constantly reported, so in the year 2016 there were 21,000 packages more than in 2013, or 41.17% (Table 3).

Table 3

Volumes of parcels in domestic and international services (in thousands)

Year	Domestic Parcel Volumes	International Parcel Volumes	Total Parcel Volumes
2013	375	51	426
2014	328	58	386
2015	319	66	385
2016	621	72	693

Source: Universal Postal Union, 2018; Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, 2017

Observing the express items in Figure 4, it can be noticed that in 2014 there was a decrease of around 1.84% in comparison to 2013, or more precisely for about 101,000 items, while in 2015 and 2016, compared to 2014, this number increases. In 2015, this growth is 21.07% or 1,135,000 items, while in 2016 this amount was 42.32% or 2,280,000 items. In comparison to 2015, the number of express items increased by around 17.55% in 2016.

As in the case of express items, in the case of payment services there is a decline in 2014 compared to 2013 by about 0.29%, while in 2015 and 2016 the number of services is increasing compared to 2014 (Figure 4). In 2015, payment services increased by 2.86%, while in 2016 they increased by 5.11% compared to 2014.

4. The Future of Postal Operators and New Services in the Postal Sector

The future of each postal operator is reflected, inter alia, in monitoring technological trends and innovations and adapting business and services to them. Thus, over the past years, the development of information and communication technologies has greatly influenced the postal sector. There could be three pillars notices in the further development:

- New models of the technological process,
- Implementation of new technologies to bring postal services closer to customers,

- New services offered by the postal operators.

New models of the postal process are mostly based on the use of artificial intelligence and robotics. The new solutions have a wide application in all stages of the technological process; however, some of the most important are in the field of mail processing, transportation and last mile delivery. Modern sorting facilities cannot be imagine without enormous automated machines and corresponding software applications for mail sorting. Autonomous postal vehicles that are able to partially or fully drive themselves have become already a reality in some countries (Čupić, 2017). When it comes to the last mile delivery there are various possibilities for the postal process optimization. For example, traditional delivery could be combined with autonomous drone delivery or by introducing a self-pickup service.

The pillars that are related to bringing postal services closer to customers and to introducing new postal services are very interconnected. One of the basic problems of PPO is how to finance the network of postal branches which should cover the whole state territory. There are various types of activities that could be implemented to enhance the usage of the extensive network and strong infrastructure (Dobrodolac, 2016); however, the self-service kiosks are very popular in order to cut the operating cost of buildings. Self-service kiosks have another important role as well; they significantly bring postal services closer to customers, first of all by 24 hour a day and 7 days a week service accessibility. When the use of smart phones and other communications technology is added to this system, even the new postal services appears.

There are many new convenient postal solution for the customers. Track and trace service has been already in use for year in almost all postal entities. Tracking shipments has significantly contributed to the increased quality of postal services. On the other hand, there are various mobile applications related to postal service. By installing and using them, the customers could pay the bills, get various types of information, such as about prices, terms of using services, the length of queues in various postal branches, etc.

Hybrid mail is a combination of traditional postal service and electronic mail. It represents a combination of state-of-the-art postal technologies and classic postal technology. The basic idea of hybrid mail is that the user, institution, or physical person sends information (e.g., bill, advertising message or similar) to the postal operator in electronic form, that such information is then processed, printed and packed in an envelope and that, as soon as possible, it is forwarded to the target group that the company, institution or physical person is addressing. Post of Serbia, as a public operator in the Republic of Serbia, has prepared expert teams for editorial and design services, preparation services, printing and envelope making services, tabular and rotary printing, personalized press, document insertion and graphic finishing. This service has not been fully utilized in the Post of Serbia; however by further development it could greatly revitalize some marketing services in the coming period, such as catalog sales and direct mail.

Inverse hybrid mail could be called a service where a customer gets their mail in electronic mailbox; however, it should be first transformed from physical to electronic form. In this way the recipients receives their mail in record time, while they can read it at their phones, computers, etc.

Modern technologies and the expansion of online business have caused the exponential growth of e-commerce. This growth is expected to be continued in the future. Due to the fact that postal operators, by means of goods delivery, already participate in particular systems of e-commerce, it is possible to even expand this kind of business for posts by forming their own virtual shopping center. Thus, in addition to goods delivery, the postal companies would organize the complete chain and provide the integrated services of e-commerce.

The use of e-invoices is constantly increasing. It is estimated that by 2020, e-invoices will become dominant in the countries of the European Union. The e-invoice issuer for each transaction saves an average of 6.5 EUR, the recipient as much as 10 EUR. In addition to the economic effect, this also contributes to the reduction of manual labor, the improvement of work procedures and the accuracy of data.

In addition to being a traditional leader in the postal and financial services market, a public postal operator should strive to become a leader in the high quality information and communications services market. For example, the PPO from Serbia became the first certification authority in the country.

5. Conclusion

Many traditional services are replaced by digital and this process is also evident in the postal sector. This process together with a high competition caused decline in volumes of mail for PPO in Serbia; however, the situation is similar in other European countries. In the recent years, the development of information and communication technologies has greatly affected the postal sector. Users massively switch to digital forms of communication. Also, the era of digitization in the modern world imposes the need to provide new services that are based on the digital platform.

The postal operators should use the advantageous of digitization to improve traditional postal services which would enable further development of the postal industry. For example, in the coming years, e-invoices will become the dominant form of invoice delivery, which will lead to a significant drop in traditional postal mail services. However, the posts could offer various mobile application to support this process and to remain present in this filed. Identifying the new trends is of particular importance for adequate market positioning.

The postal market in Serbia is to a certain degree liberalized, primarily in the field of express and courier services. Also, it is noticeable that these markets are heavily under pressure from the competition. The expected further continuation of the liberalization process as well as the expected further development of the market imposes the need for the public postal operator to increase its productivity and stability with constant optimization of business and development of new

services based on electronic, Internet and communication technologies. A remarkable trust from the users should be kept and this could be done also by offering new products and services, as well as by making these services as much convenient for customers as possible.

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