

Customer-Oriented Transformation of Postal Communications in The Republic of Macedonia

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Abstract: For sustainable development of contemporary societies communications are one of the crucial conditions. In this sense, postal communications are integral and important part of business communication. Following the social dynamics, traditional postal market transformed from an instrument of personal communication between individuals into an instrument of commercial communication. Thus, the sector has undergone substantial changes caused by the influence of technical and technological development, regional and international globalization and market liberalization. As a result of the liberalization of postal market, along to the national postal operators, private postal operators emerged and intensify the competition. In addition, postal communications are under great pressure of intense development in the field of information and communication technology (ICT).

Main intention of this paper is to research challenges facing the postal communication in the Republic of Macedonia on its way of becoming customer oriented service. Thus, in the paper we will analyze the possibilities and capacity of the state and of postal institutions to transform this type of communications, seen through the operational and financial performance as well as the service structure. For this purpose, paper will present brief overview of the changing role of postal communication, with particular reference to the conditions and factors affecting their development in the country. Main aim is to identify appropriate guidelines and recommendations for the future development of postal communications in the Republic of Macedonia.

Keywords: postal communication, customer-orientation, development of postal services, Republic of Macedonia

1. Problems Facing Postal Traffic Today

Postal services today operate in changing conditions. The latest trends of business mail in developed countries are determined by the environment in which the post office act, which are taking numerous and dynamic changes. The changes caused by the global economic crisis are only one in the sequence, but under such conditions the postal sector continues to play an important role globally.

In the world postal sector are engaged more than 5.5 million people and has over 660.000 post offices making it one of the most intensive job-industries and the world's largest distribution network. The significance of the postal sector considered through it's share of GDP and in total employment is also evident in the European countries. In 27 countries of the European Union,

Norway, Iceland, Switzerland in 2009, the contribution of the postal sector in the realized gross domestic product was approximately 0.6%, or 7,02 billion euros, and its share of the postal sector in total employment for the analysed group of European countries was 0.75% (H. B. Okholm, 2010).

The global crisis has had negative effects in the segment of registered letter and express parcels, while financial services and packaged consignments indicate growth. In the fourth quarter of 2008, worldwide internal traffic volume of registered letter consignments has decreased by 5,9% compared to the same quarter last year. The negative decline continued in the first and second quarter of 2009, with decreased of 11,7% compared to the same quarter from the previous year. All this contributed to the revenue decline (Universal Postal Union, 2009).

The situation of registered letter consignments in the international traffic is slightly better. Section of express parcels in the last quarter of 2008 and first two quarters of 2009 also shows a negative trend in volume and generated income. Package services recorded revenue growth over the whole of 2008. Cumulatively, in the domestic and international traffic growth in the fourth quarter was 2.1%. The positive trend of operations has and the financial services sector. The information about the isolated effect of the global economic crisis in the operations and the revenues generated in the postal sector in general or in individual countries are very difficult to find. However several national postal operators and the Czech Republic, Greece, Hungary, Iceland, Luksembur, Norway, Portugal, Slovenia and Slovakia managed to estimate the effect of the global crisis on individual services (Universal Postal Union, 2009).

The negative trend of the global economic crisis is particularly pronounced in revenue in terms of publications, direct mail, addressed and unaddressed packages. This is explained by the decrease in private consumption and reduced costs for marketing and advertising in 2009 compared to 2008, as a direct consequence of the crisis. Parcel (package) services, cross-border mail and reserved services, showed a smaller decrease in revenue. Only three national operators manage to realize increased revenues in the area of packaged services, and the increased in the reserved services was achieved by the operators in Greece and Slovenia.

Another problem facing the postal traffic is today's competition. Postal services sector is under considerable transformation decades. Dominant processes of European market are liberalization and privatization, with one purpose and that is to strengthen the competition. The main benefit from the competition in terms of postal service users are: lower prices and greater choice. In terms of postal operators a greater degree of competition leads to better information, and therefore more effective decisions. The most important thing is to understand the earlier and the expected development of competition in the process of gradual liberalization and its impact on the market structure and market performance, including the universal postal service. Competition in the European market focus is primarily on the part of addressed mail. The potential entry of new

competitors is primarily associated with the regulatory framework. In the section of the reserved services there is no fear of entry of new competitors, but there is a possibility for the entry of companies that were established for their own needs and simultaneous develop delivery network as greenfield investments. It usually companies that are active in the delivery of unaddressed mail sender large publishers and providers of database with addresses and more. The competitive power of the postal service is especially great when such customers appear large entities that work with customers such as banks, insurance companies, utility companies and publishing houses. Large users of postal services can set conditions postal operators to shorten the frequency of delivery (eg bank statements) and devote more attention to the delivery of its internal mail or to seek additional ways to communicate with its customers.

Regarding the letters services market where competition is not sufficiently represented, market packaged, courier and express parcels features a higher level of competition on the level of the Union at the level of the states members. In this market there are several operators: DHL, UPS, TNT, Fedex, LaPoste, RoyalMail.

The major problem facing the postal traffic today are the unfair competition. Also, besides the competitiveness should be mentioned the necessity of the costs decrease in operations and introduction of new services by postal operators. This is conditioned primarily by the development of new information and communication technologies. Their application initially indicates a need for allocation of higher amounts of money for investment, but in the following period of their use they would allow reducing operating costs, increasing efficiency and effectiveness in performing postal and other types of services, and thus and greater satisfaction among users of these services.

2. Analysis of Market of Postal Services in The Republic of Macedonia

The postal services market in the country is regulated by the Law on postal services (Official Gazette No. 9/08, 158/10) and the need for regulation of the market for postal services is just starting of the process of liberalization and the emergence of the first private postal service and

competition. In fact, the adoption of the Law on postal services and the secondary legislation in 2011 was regulating the general conditions for the provision of universal service quality parameters, the criteria of the postal network, resolving disputes, the obligation to submit data and general provisions pertaining to the work of the Postal Agency of the Republic of Macedonia.

In order to address the specifics of the Macedonian postal sector and market, the analysis considers couple of aspects, including:

- The number of licensed providers of postal services;
- The number of employees in the postal sector;
- Volume of postal services;
- The realized financial results of the postal services;
- The volume of mail per capita.

For providing postal services in the Republic of Macedonia each legal entity must have authorization from the Postal Agency. There are two types of licenses for the provision of services such as: Standard license and a general authorization. The Law on postal services in 2010 (Official Gazette No.158/10), changed the manner and form of licenses in sense that standard license and approval were replaced by general authorization. Thus, various types of licenses after the expiry of their validity are replaced by general authorizations.

In the national postal there are a growing number of licensed providers of postal services, which is one of the main objectives of liberalization of the postal services. As a result, in 2015 on the market of postal services in the Republic of Macedonia were present 28 postal operators, that compared with 2012 is an increase of 7 new postal operators (Statistical Report 2012).

In order to provide availability of the universal service on equal terms and prices to all users, Postal Agency is issuing individual license in which are defined obligations for the universal service provider. So far, individual license for a period of 5 years has obtained only the Macedonian Post Office and since 2008 provides performance of the universal service on the entire national

territory. Unlike Macedonian Post Office, other providers of postal services have a general authorization. By 2010, these entities have standard license, but with amendments to the Law on Postal Services as the previously mentioned, today they are holders of a general authorization.

For the analysis of the number of employees in the postal sector, we well consider the 2008-2013 period. The data from the State Statistical Office, which relate to 2013 stipulates that in the total number of employees in our country, 0.39% are employed in the postal sector (Statistical Report 2012).

From the data presented in Table 1 we can see that the number of employees in the postal sector's growth so that in 2013 there is an increase of 8, 6% of the number of employees compared to 2008 and the total number of employees from 2.471 in 2008 increases on 2.683 in 2013. In the total number of employees, dominant are employees in the Macedonian Post Office and is 80% from the number of employees in all other other postal service providers in the country.

Also from the data in Table 1 it can be noted that in 2008 compared with 2013, the number of employees in the Macedonian Post Office remains approximately the same. Greater reduction is recorded in 2010. In contrast, in other postal service providers, staffing is steadily increasing from year to year. That means that the growth in the number of employees in the postal sector is due to the increase of the number of employees in other (private) postal service providers. This trend is expected to continue further as a result of market liberalization and increasing competition in the postal services market.

In terms of reallocation of staff to other providers of postal services, it is evident that distribution is uneven, namely the concentration of staff is only in a few service providers like DELCO, Cargo Express, Globko Logistics, DHL (Statistical Report 2013).

For the purpose of analyzing the Macedonian postal sector, we will also consider volume of the postal market. The analysis refers to the period 2008-2013 year, and the findings are given in Table 2.

Table 1. Structure of employees in the Macedonian postal sector for the period 2008-2013

	2008	2009	2010	2011	2012	2013
Macedonian Post Office	2.285	2.215	2.151	2.361	2.288	2.217
Other providers of postal services	186	256	239	314	381	466
Total	2.471	2.473	2.390	2.675	2.669	2.683

Source: http://www.ap.mk/resource/statizvestaj/Statisticki_izvestaj_2013 p.8, accessed 10.4.2015

Table 2. Volume of postal services market for the period 2008-2013

	2008	2009	2010	2011	2012	2013
Macedonian Post Office	56.111.865	57.102.099	62.768.673	73.591.367	66225.179	48523.908
Other providers of postal services	378.380	1.406.158	863.783	788.119	1.151.214	2.565.984
Total	56.490.245	58.508.257	63.632.456	74.379.486	67.376.393	51.089.892

Source: Statistical report on postal activities in the Republic of Macedonia for 2012 (p.11) and 2013 (p.10), Postal Agency of the Republic of Macedonia.

Table 3. Volume and types of postal services in the Macedonian postal sector (2008-2012)

	2008		2009		2010		2011		2012	
	Units	%								
Registered letter service	37.613.342	66,86	39.201.335	67,36	59.708.888	93,56	70.586.922	94,90	63.889.438	94,82
Other postal and related services	18.388.247	32,68	18.552.023	3,88	3.599.661	5,64	3.257.086	4,38	2.766.419	4,11
Parcels	259.197	0,46	445.768	0,77	509.079	0,80	536.841	0,72	720.536	1,07

Source: Calculation is based on data from the Statistical report of postal activities in the Republic of Macedonia for 2012, the Postal Agency of the Republic of Macedonia pp.15,16-accessed on 10.04.2015

The comparative analysis shows that the volume of services of the postal market since 2011 has continuous growth, as a result of the increase of postal traffic through Macedonian Post Office. Further analysis shows that in 2011 total volume of the Macedonian postal service market is decreasing, so in 2013 it was reduced by 3,1% compared to 2012, ie 9,5% compared to 2008. Again, this reduction in the total volume of postal market is a result of the reduction postal traffic of Macedonian Post Office, because other service providers have continuous growth that respectively in 2013 compared with 2012 have increased by 122,8%. However, despite this high rate of growth of postal services from private postal providers, given their small share in the total volume of postal services (under 20%), it did not contribute to significant impact on the total volume of postal services on the postal market for this period.

Having on mind that there are more types of postal services provided by the postal operators in the Macedonian postal market, it is necessary to analyze the dynamics and scope of performance of these different types of services in order to get a fuller picture of the postal market in the Republic of Macedonia.

In Table 3 presents the volume and type of postal services for the period 2008-2012 and refers to the national post sector (Macedonian Post Office and other postal service providers, together). The table shows that in the total volume of postal services dominant is the transportation of letters, followed by other postal and related services, and the smallest share of the transportation of parcels (packages). From the table we can see that in 2010 comes to a dramatic increase in letter transportation services at the expense of other postal and related services, and this trend was maintained in subsequent years of the planning period.

Table 4. Financial results of the postal services for 2008-2012 (MKD)

	2008	2009	2010	2011	2012
Revenue	1.335.692.682	1.539.912.984	1.952.608.491	2.060.092.475	1.983.761.304
Expenditures	1.376.149.220	1.480.156.881	1.757.088.769	1.953.787.248	1.971.201.773
Financial result	-40.456.538	59.756.103	195.519.722	106.305.227	12.559.531

Source: Calculated according to data from the Statistical report on postal activities in the Republic of Macedonia for 2012, Postal Agency of the Republic of Macedonia

Table 5. Number of shipments per capita for the period 2009-2013

2009	28.5
2010	30.9
2011	26.3
2012	25.6
2013	24.7

Source: Statistical Report on postal activities in the Republic of Macedonia for 2012, Postal Agency of the Republic of Macedonia, p.21.

Next to be analyzed are the financial results of postal operators in the Macedonian postal sector, for the period 2008-2012. From these data in Table 4 it can be concluded that the operation of the postal services varies from year to year. The 2008 there is a loss of 40.456.538,00 MKD (Macedonian denars), and in 2010 was achieved the best financial result, that is profit of 195.519.722,00 MKD. In the years, postal operators have further positive results, but with slightly negative trend. For 2013 only data on income are available, but not for actual expenditures (Statistical report for postal services, 2013). Accordingly, in terms of the income, in 2013 was achieved the highest revenue of 2.249.734.344,00 MKD.

The participation of total revenues from postal sector in the Gross Domestic Product (GDP) for 2013 was 4,5% (percentage of GDP in 2013) (Statistical Report, 2013).

For the development of the postal sector as an indicator is also used the number of postal shipments per capita. Based on Table 5 is seen that the number of shipments for the period 2009-2012 ranged from 28,5 to 30,9 whereas the largest volume of shipments per capita was recorded in 2011 (30,9) and lowest in 2013 (24,7).

3. Measures and Guidelines For Development of Macedonian Postal Sector

Based on the analysis of the postal sector there are certain positive trends in the operations of postal services in the country. Yet given the numerous challenges facing today's postal services, measures are needed that would

continue the further development of this type of traffic in the new operating environment, both locally and globally.

Increasing of the competition in the postal market imposed the need for its regulation, which means editing sectoral relations of the entire postal market or the entire postal industry. Changes in legislation (Annual Program, 2015) are related to the modification of four laws in several areas.

The first amendment to the Rulebook on general conditions for providing universal service (Official Gazette No. 173/ 2011), in the part of law for claims and objections and the and for better protection of the rights of users of postal services. This change arises because so far the set deadline of 24 hours to advertise damaged shipment is very short in terms of increased volume of e-commerce. This change allows the users to react and after the lapse of 24 hours of delivery.

The second change refers to the Rulebook on compulsory elements of the general conditions for providing postal services (Official Gazette No. 173/ 2011) in the part of the international delivery of postal items, in order to define the minimum standards for the operator etc. personal delivery. Service deliveries at a time of increased frequency and volume of shipments of notaries, bailiffs, which according to the Postal Agency during 2014 is poorly organized because most of the defendant's notary paid orders are canceled due to improper delivery, lead to the necessity of introducing new solutions, such as the introduction of IT systems for monitoring, etc.

Third amendment is to the Rulebook for the mandatory elements of the general conditions for

providing postal services (Official Gazette No. 173/ 2011) in order to define the minimum standards and technical requirements for dealing with the operator in the process of performing the service. Because during 2014 four bus carriers submitted a notification for obtaining a general authorization from the Postal Agency for providing internal postal traffic, this amendment provides addition of a new chapter in which should be defined the minimum technical requirements for provision of postal services. This is in order to ensure safety of the consignments.

The fourth change is in the Rulebook on the types of financial data and information relating to the provision of postal services and the manner of submission (Official Gazette No.146/2011, article 2, point 5,6,7,8). The change is in the form of the Report on the provision of postal services and is made in order to get more detailed and precise information that would allow monitoring of legal obligations for delivery of information and promoting the obligation to maintain the integrity and security of postal services and networks. Analyses of the Postal Agency recorded an increasing trend in the number of domestic companies dealing exclusively with delivery of shipments of notaries and enforcement agents. Therefore, and in order to get clear information about this type of service and the capacity of operators' networks will provide additional criteria for submitting data with much information.

Also there is a need of amending the Rulebook on the criteria for access to universal service by establishing the units of the network, the distance between postal units and the number of mailboxes (Official Gazette No.146/2011). This is to the conditions and criteria under which the contract for opening a new contractual mail contract and harmonize the criteria for density of access points to the universal postal service and working hours of units of the postal network. These are the leading criteria for assessment of the capacity of the provider to make universal service available to users.

The products of the so-called E-commerce in the international traffic are regulated with the by-law (Official Gazette 117/2005) which limits the value of goods in postal items to which are exempt from import duties is a serious impediment to the development of the postal market in the parcel (package) delivery. By raising the value of the goods from 45 to 150 euros, or equating this value

with the value set for the duty-free export of goods for personal use in road transport (350 euros) to create conditions for a smooth increase in the volume of international postal traffic.

Monitoring and control of the process of introducing a system of separate accounting and allocation of costs and revenues of the universal service is another measure in the process of regulating the postal market. The implementation of this system for accounting separation in relation to the main responsibilities of the Postal Agency such as price regulation of postal services, pricing for the access to the postal network, calculating the net cost of universal service prevent internal subsidization of other services provided by the proceeds of the universal service. It is therefore necessary monitoring and process control of the special accounting and allocation of costs and revenues of the universal service.

The last measure refers to the supervision of the postal services providers who are possessing general authorizations issued by the Postal Agency, and which will be performed by persons authorized by the Postal Agency.

Such supervision should be implemented as regular supervision over the implementation of the Law on Postal Services, extraordinary oversight, based on the initiative of users and control oversight from the expiry of the decision made by the Director of the Agency (Post Agency Program, 2015, p.29).

In terms of international cooperation, at a time when there is a trend of segmentation of postal services and in particular the rapid development of information communication, international activities are very important for the Postal Agency. The main objective of these international activities is gaining international knowledge, experience and implementation of best European practices in the area of market regulation of postal services in the country.

Activities with international organizations should continue participating in the European Group for postal regulations (ERGP), the European Committee of Postal Regulators (CERP) and the Universal Postal Union.

ERGP was established in 2010 by the European Commission that across discussions and reports advises the Commission in decision-making in the field of postal services. Republic of Macedonia

actively participates in the activities of ERGP as an informal member.

Postal Agency in the coming years should participate in discussions about preparing reports adopted ERGP the areas of: regulation of tariffs, Universal Service net cost of universal service, improved customer satisfaction and monitoring the performance of the postal services market, competition, development of service of international packages via e-commerce.

Activities within CERP primarily aimed at regulatory issues related to postal services and the establishment of cooperation with the European Union and relations with the relevant bodies in the field of postal services. These activities include: coordination of European attitudes towards liberalization of the postal services market, decisions in the area of legislative issues related to European Directive, the development of international postal directive and others.

Aimed at the development of the postal sector is the most international projects Postal Agency plans to realize in organized by the European Commission financed through short-term technical assistance of the European Union (IPA), and have been realized through the program for short-term technical assistance for candidate countries to join the European Union (TAIEX). Specifically, based on the positive experiences and benefits, the Postal Agency is planning several projects. But how significant would be presented the project in terms of monitoring the measurement of letter shipments in accordance with European standards MKTI EN 13850: 2002 + A1 comply with the new standard in 2012, with a plan for this project to be realized within the study visit to a European country, and (TAIEX) project that should be in the area of defining the conditions for the provision of postal services or procedures for issuing general authorizations (licensing within the transport services and passenger transport, the contents of the general authorization legal or natural persons, etc.).

4. Conclusion

Postal services are of public interest and they are one of the basic needs of citizens. The changes in the public sector are significantly affecting the postal sector. The postal sector in the world is facing major challenges due to: the changes in the customer needs, the electronic commerce growth,

rapid technological developments, deregulation, liberalization and globalization. The demand side of the postal market is dramatically changed over the past twenty years. The number of private postal operators is significantly increased, and their concentration is particularly high in the developing countries i.e. in the densely populated urban locations where the flow of mail is large.

For a long time, the global competition in the postal sector was limited to multinational companies for courier and packages delivery such as: TNT express, DHL, UPS, FedEx. Although the postal deregulation considered these private multinational operators as a threat to domestic postal services, in the recent years there is a trend of creating a new image for increasing the competition. For that purpose, the reforms of the postal sector are necessary, on local, as well as on global level.

The postal sector in the Republic of Macedonia should be reformed in order to be in trend with the newly emerged conditions. There are several reasons for reforming it, such as: insufficient quality of postal services, improperly oriented postal services to meet customers, poor economic conditions in the country and in the region and the growth of the telecommunication services.

The reforms in the postal sector in the Republic of Macedonia should be carried out through several components: the definition of the universal service, creating strategic goals for development of the postal market, regulation of the Law on Postal Services and its bylaws and through the postal operators. Therefore, the strategic goals are: permanent investment in the technological process, promotion of the innovative products and services, improvement of the interconnectedness of the global postal network, meeting the needs of the customers, especially of the business customers by introducing new postal services, i.e. by so called Hybrid technological process that combines electronic means of communications and postal services.

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