

POSTAL SERVICE COMPETITIVENESS, AN ESSENTIAL ELEMENT IN COMPETITIVE STRUGGLE

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Abstract: Besides the other elements of the marketing policy, price expresses the degree of commercial activity's adaptation to environment's demands; it is the measure of marketing essential functions' achievement, namely the satisfaction of consumption needs at a high level and the maximization of economic efficiency. The price represents an instrument for recovering company's expenses and obtaining benefits incorporated in products, thus measuring company's capacity of adaptation to environment's conditions and of organizational competitiveness' determination. However, in a field like postal services where service specification, nature and sometimes monopoly situation determine different actions from organizations, there happens a series of known classical methods' adaptations. This work aims at highlighting this special situation and at presenting the values that are the basis of the optimum strategy's fulfilment for the acquiring of normality so necessary to an economy based on competition.

1. POSTAL SERVICES' CURRENT MARKET

In 2004, it was published in Monitorul Oficial al României no. 355/22.04.2004, the Decision of the National Regulatory Authority for Communications' President, no. 88/EN/2004, concerning the appointment of the universal service supplier in the field of postal services that designated the National Company Poșta Română as the universal service supplier for five years. In accordance with the European regulations in the field, Poșta Română is given the responsibility of ensuring to Romanian users the access to a set of basic services, under the conditions of quality and price that guarantee all consumers the possibility of benefiting from them, irrespective of geographical location or income level.

According to the order for the approval of income and expenses budget of Poșta Română in 2007, published in Monitorul Oficial no. 168 from March, 9, company's incomes will totalize 1.029 billion lei (plus 168.221 million in comparison with 2006), and expenses will totalize 971.3 million lei (plus 153.296 million lei). Expenses for investments are estimated at 88.816 million lei. At the end of 2007, the average number of staff will be of 35,500 people, the estimated wage fund for 2007 being of 383.564 million lei, with a monthly average revenue per employee of 899.37 lei.

Recently Poșta Română has diversified its activity a great deal, offering like this more services to present and potential customers. The company has also concluded different contracts with diverse institutions, banks, as well as with big companies. The company's top customers are the National House of Pensions (Casa Națională de Pensii), DAS National House Bucharest (Casa Națională DAS Bucuresti), Romtelecom, and Petrom Service. As for the most important suppliers, these are: Romtelecom, Grupul Industrial Roman, Mobifon, Hungastro Sf. Gheorghe, Postelecom.

The fact that Poșta Română has assumed the role of universal service supplier has also entailed obligations, such the delivery of correspondence in areas where this type of activity does not bring any profit, such as less populated rural zones avoided by other market performers, but also advantages. In the sphere of universal service are included services such as delivery of domestic and international correspondence, post cards, postal proof of delivery, parcels with weight between two and twenty kilos. On these segments, the Post does not have competition, since other postal service companies have not shown any interest in becoming universal service provider.

In the last years, the number of postal service companies has quickly grown. There are several segments where the National Company Poșta Română has lost ground in front of newly entered companies. Competition is tough and Poșta Română has lost the first place on certain segments. Thus, on the segment of Express Service, in the case of domestic letter-mail service, Poșta Română has a low market share, while on the market of international correspondence the Romanian Post is very close to important companies, specialized in international postal services, such as TNT România and DHL România. Besides them, Poșta Română loses from its market share because of other postal service suppliers, such as: Atlassib, Cargus, Colet Express, Fan Courier Express, Curiero, Nemoexpress, RGA Courier & Freight, Romtrans. Despite the fact that it has lost the market share of several services, the company tries to gain others, especially in the field of financial services, like online-service operations, cashing of bills, tax and duties collection, for attracting more customers.

2. Postage rate – essential element of competitiveness

The SWOT analysis represents a process that determines the organization's strengths, weaknesses, market opportunities, and threats. This analysis should be carried out repeatedly, in order to prepare the organization for highlighting strengths, solving weaknesses, capitalizing opportunities, and avoiding threats. In the following table, there are emphasized the relevant factors of each area of SWOT analysis carried out for the company Poșta Română.

In formulating price policy, many of the applied concepts in the field of material goods coincide with those from service field. Peculiarities are tightly connected to the specific manner of pricing due especially to customers' participation in service performance. Price in services, under all its specific forms: tariff, commission, tax, interest etc. is only one of the means that may influence the demand, so implicitly sales volume in services and flexibility in pricing. Marketing theory identifies four strategic orientations for pricing level: cost-based pricing, competition-based pricing, demand-based pricing, pricing according to governmental and legislative regulations.

Cost-oriented pricing takes into consideration the elements that contribute to price determination: value-added tax, material costs, wages costs, functioning, administration, and occupation costs. To these elements is added the profit margin, and thus the selling price or tariff is determined. This method is the most spread.

Price determination that starts from the demand is founded on the principle according to which sold quantities vary depending on proposed prices, a relation confirming the flexibility of demand depending on the price.

Table 1

The SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Distribution network extended in the entire country, in urban and rural environment; • Varied offer of services; • Monopoly regarding commercialization of products and performance of services of national importance; • Well-divided organizational structure; • Development of new methods and instruments of postal service improvement • Externalization of several services • Improvement of organization's image through locations' modernization 	<ul style="list-style-type: none"> • Service diversification with the same number of hired personnel; • Lack of access to technology or existence of obsolete ones; • Absence of capacities and managerial abilities at the level of organization inside postal offices; • Faulty management not interested in hiring specialists in the field; • Faulty communication from top to basis; • Employees' inadequate behaviour; • Degraded and insufficient infrastructure; • Non-profitable activity in certain rural areas; • Postage rates unadjusted to market realities for certain services; • Lack of decisional power of front office personnel which leads to the increase of time to solve minor problems and the dissatisfaction of target public; • Low interest concerning the fate of deliveries after delivery, which affects their safety
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Integration in the European Union; • Contract conclusion with diverse companies, suppliers etc.; • Powerful development of the IT sector; • privatization 	<ul style="list-style-type: none"> • competition growth as a result of present regulations that allowed postal market liberalization; • changes in consumers' behaviour; • loss of monopoly for certain services

Thus, if the price grows, the demand decreases; if the price is stable, the demand is constant; if the price diminishes, the demand grows. This is perfectly true for goods market. However, in the field of services, consumers' behaviour is different depending on proposed products and buying conditions. Like this, price reduction may not have the expected result, namely growth of demand, but may rouse suspicions abreast of customers.

Competition-based pricing presupposes the operative and realistic adaptation to price changes carried out by competition. Prices and competition's reactions to changes taking place in the market may be a very good barometer for price determination. For competitors this cancels the expected advantages, for the other organizations may have as result the removing of the weaker and the weakening of the stronger, as a result of a real price struggle. Legal regulations refer to the tariff determination, in accordance with laws issued by authorities in charge with price determination.

Studying the history of posts one may notice that it has always been a relation between the price received (tariff) and the value of the performed service. Postage rates (tariffs) have been a resource for public wealth and every time financial authorities have found themselves in difficulty of financial order, they have proceeded to increase these charges. It is only in modern times, after 1900, when postal services showed up as a

specialized public service, that people come with the idea to cover expenses from returns. They must cover expenses, allow branch development, take into account price growth from other branches, the level of wages growth, of transportation increase etc.

The introduction of postage stamp at the middle of the XIXth century has brought to postal pricing a very original character, that it has also nowadays. On one hand, the distance is no longer a principle of pricing; on the other hand we have the method of previous prepayment by the addresser through the intermediate of a simple vignette affixed on a dispatch. The success of the operation presupposed that certain conditions should be fulfilled. Firstly, it was clear that the abolishing of distance principle could not be conceived but for light objects, otherwise the cost of transport could not be neglected; thus it was fixed a spread out pricing depending on weight.

The system of pricing was very simple: prepayment by the sender imposed the application of easy to follow rules for everyone. As traffic grows, pricing had to take into account the cost of each individual performance, respectively the cost of transports, number of manipulations for each object during transport, cost of distribution. The purpose of subsequent reforms was the maintenance of equality for all beneficiaries. Equalling the access conditions to public service for all beneficiaries, by leaving aside the specific costs of each performance considered isolated, created the postulate of a monopoly existence.

Monopoly implies price determination to an average level superior to simple performance costs (loco letters put at an office with distribution activity) and inferior to that level implying expensive performances (letters from a rural locality for an isolated place to another extremity of the territory). In the hypothesis of total balance of administration (global), the first must pay for the latter; so it is necessary that performances whose price is above real costs should not go to organizations competing with the post. Otherwise, the post will deal with a phenomenon of traffic leak to competitive units.

Usually the competitive sector includes especially: printings, samples, small parcels. That is why the post must apply postage rates as close as possible to real costs, differentiated depending on the nature of solicited performances by addressers. In certain areas letter traffic is insufficient, so the offices' available capacity must be occupied with printings, small parcels etc, in this way all employees having a job to do. Another argument of tariff reduction to printings, samples, small parcels is represented by the fact that they generate letters too.

It is also mentioned that in most data, the cost for journals' transport is higher than the perceived tariff system. For the same reasons, like for instance the entire usage of transport and processing capacity, the removal of private sector that might create a parallel system of delivering letters, the post, as monopoly, takes over certain costs, by covering them from other services, so that per total the post should have benefits.

Another method used by post administrations consists of granting tariff reductions of 10% for beneficiaries, on condition to deposit a certain volume of deliveries (for example 500,000 pieces a year). Other times reduction may be of 20% if deliveries are according to certain demands imposed by the post that might help reducing processing and distribution times. Two of the essential indicators in calculating postage rates are:

Elasticity index of quantitative demands in price changing (E_{qp}) (*Relative variation in quantity/Relative variation in price*)

$$E_{qp} = \frac{\frac{Q_1 - Q_0}{Q_0}}{\frac{P_1 - P_0}{P_1}} \quad (1)$$

where:

Q_1 = demand quantity after price change

Q_0 = demand quantity before price change;

P_1 = new price

P_0 = old price

Price flexibility (*change in demand/ % change in price*):

$$\text{Price flexibility} = \frac{\Delta d}{d} / \frac{\Delta p}{p} \quad (2)$$

For the determination of international tariffs taxes are set in the conditions stipulated by the Universal Postal Union Convention. In principle, they are differentiated depending on the nature of objects. Thus, higher rates for letters and assimilated objects, smaller taxes for other objects (medicines), facultative favourable management for press and cultural goods, gratuitousness for war prisoners, the blind, people with disabilities etc. For the determination of international tariffs one takes into consideration the weight of parcels. Although the globe is considered as one, being recommended not to take into account distances, some administrations apply postage rates of presentation differentiated depending on the distance. The settlement of accounts among states members are carried out depending on the volume of distributed parcels, a reason to apply higher postage rates at dispatch for determining a reduction of departure traffic.

3. Conclusions

In the field of posts the national structure of postage rates covers two aspects. The first consists in the determination of incomes' general level that should cover the expenses and the development financing necessities. The second aspect is tariff structure, respectively the determination of different prices in the framework of a general level of tariffs depending on demand and offer, the relative costs of a service, the demand for different services, governmental policy etc. It is obvious that according to expenses' nature one may settle investment expenses (buildings, equipments etc.), and exploitation and maintenance expenses.

Services offered to beneficiaries by postal units have an individual character. Thus it is possible that they should be paid by beneficiaries according to the postage rate, per each performance (correspondence, money orders). For having autonomous services, postage rates must be settled in the manner of covering expenses per total and per each performance separately. Among expenses taken into account in pricing we mention: staff costs (wages, overtime, compensation in case of death, personnel training, travels etc.), payment costs, loans' interests, fuel, transport, rents, and charges. The cost of a given service includes the corresponding direct cost, plus a share of general expenses. The cost of each service is set by statistical estimations, exploitation documents, and accounting documents.

Lately postage rates have been growing continuously, Poșta Română announcing price increases starting with January 3, 2008, while service quality has diminished.

Service quality is probably the explanation of the fact that telecommunications companies prefer to send invoices to their own customers by courier companies, although these companies perceive 150% higher tariffs than Poșta Română. However, according to current regulations, the National Company Poșta Română (CNPR) has the monopoly of the correspondence with a weight below 50 grams, while couriers are compelled to perceive tariffs 150% higher for such a correspondence.

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