

Achieving High Performance in the Postal Industry

Accenture Research and Insights 2012

A large, stylized green chevron graphic pointing to the right, composed of two parallel lines that meet at a point on the right side.

High performance. Delivered.

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Introduction

Since the publication of our first report in 2006, Accenture has undertaken in-depth research of the postal industry. Our studies have clearly shown that diversification is an essential element of any successful postal operator's strategy. Cost cutting alone cannot secure long-term commercial viability and, as a result, an increasing amount of attention is being paid to identifying and developing new services and markets. Tackling such challenges is not insignificant; while there are many opportunities to generate revenue, very few, when considered in isolation, will deliver the profits at the levels required to replace the declining mail business. In our fifth study of high performance in the postal industry, we aim to answer the key question faced by postal organizations today: how can we make the right strategic choices to build a sustainable future?

Organizations analyzed

The 2012 High Performance in the Postal Industry study reviewed 26 organizations.

North America

Canada Post Corporation
 FedEx
 United States Postal Service (USPS)
 UPS

Europe, Africa and Latin America

Austria Post
 An Post
 Ceska Posta
 Correos Spain
 Correios Brasileiros
 bpost
 Deutsche Post DHL
 Itella
 Le Groupe La Poste
 Magyar Posta
 Poste Italiane
 PostNord
 Posten Norge
 Royal Mail
 Swiss Post
 TNT*
 South Africa Post Office

Asia Pacific

Australia Post
 India Post
 Japan Post
 New Zealand Post
 Singapore Post

* In May 2011, the TNT organization was split into Post NL and TNT Express. At the time of this study, they were one organization.

Strategic categories

Our analysis considers postal organizations in four strategic categories. These are shown in the table below.

Global players	Regional diversifiers	Service providers	Traditionalists
<ul style="list-style-type: none"> At least 25% of revenue outside domestic market in 2010 Revenue came from more than one continent or trade block Clear strategy of international growth 	<ul style="list-style-type: none"> At least 12.5% of revenue outside their domestic market in 2010 Revenue came from adjacent countries or the same continent Dominant strategy of regional growth 	<ul style="list-style-type: none"> Dominant strategy of diversification through convenience and proximity Services beyond mail, shipping, banking and stationery Innovative solutions across channels 	<ul style="list-style-type: none"> Strategic approach primarily focused on improving the efficiency of mail National focus

Key findings

Our 2012 research identified the following critical trends for postal players seeking high performance:

High performers approach cost restructuring with long-term strategic clarity

Cost management is fundamental for postal operators. While increased automation, network rationalization and headcount reduction have been on the cost agenda for many years, we are now seeing a more radical approach to cost restructuring with the sale of physical assets and outsourcing. High performers are pursuing cost restructuring with strategic clarity, focusing on value creation. They understand what is important to their long-term strategies and fiercely protect it to secure profitability. This finding is in sharp contrast to our laggards who are more interested in short-term cash flow and are selling off high-value assets without any real consideration of the long-term implications for their businesses.

High performers pursue diversification with strategic intent, focusing on profit as well as revenue

High performers have diversified with a strategic intent that aligns with their vision. They are focused on growing sustainable and profitable revenue streams. High performers have successfully taken advantage of growth in the parcels sector. Here, they are differentiating and improving margins by adding value through the end-to-end process, not just the last mile. For others, diversification is focused on exploiting their retail presence and trusted brand to secure a competitive position in the financial services and consumer markets.

High performers embrace the full opportunity of digitalization

Digitalization is being embraced by all postal players, adding new dimensions to product offerings and providing greater access to products. High performers are going beyond this and adopting digitalization as an essential ingredient in their diversification strategy. They are aggressively pursuing the market opportunity in the business-to-consumer e-commerce market. They are launching hybrid and end-to-end digital mail solutions. High performers are recognizing the full opportunity of digital, taking advantage by developing digital platforms and applications that are tailored to the full range of mobile technologies that are now prevalent in our society.

High performers recognize the importance of the sender and the receiver

High performers have the customer at the center of their strategy and are expanding their focus beyond the sender to the receiver. They are using self-service, flexible delivery and collection options not only to reduce costs but also to improve service. They are improving access to products and services by introducing retail options with longer opening hours alongside online options for services and product information. Some operators are even going a step further with a strategy that is built around the consumer with pre-paid cards, mobile telephony and the development of customer relationship management capabilities.

High performers recognize that mindset and culture are vital for success

Postal organizations that achieve high performance score well in all aspects of their business performance, faring equally across all the parameters of our High Performance Business Model (i.e., revenue growth, capital spread, employee spread, consistency of revenue and consistency of spread). High performers seek out innovation, creating a culture and defining their business models in such a way that they can adapt to change. When considering new markets, high performers will always focus on the positives, their differentiators, and the reasons they will succeed. Laggards can often become weighed down in analysis and will, through their own lack of confidence, fail to embrace market opportunity.

High performers plan and perform well, whatever the market conditions

Almost 70 percent of our 2012 top performers have retained or improved their position. This clearly demonstrates that postal organizations that achieve high performance continue to outperform regardless of volatile market conditions. From our perspective, this is no accident. High performers have achieved this level of consistency through their efforts in planning for changing landscapes, developing clear strategies and transforming these as required. This strategic clarity and approach is reaping rewards.

Focus on the fundamentals

Postal operators must be able to deliver and sustain their position as profitable, commercial organizations.

Declining mail volumes are a constant reality

Alongside a climate of financial crisis and continued economic uncertainty, the postal industry has entered an era of sustained physical mail volume decline. As Figure 1 illustrates, volume decline is universal with North America, Europe and Asia Pacific experiencing mail volume decline of 3.4 percent, 4.2 percent and 3.1 percent respectively, although the rate of decline is comparatively less steep than in 2008-09 where decline was 12.6 percent, 5.3 percent and 3.8 percent respectively.

The reality is that mail volume decline is a constant aspect of the landscape, with both small and large operators continuing to experience difficulties. Technological substitution is now an accepted fact, with the widening gap between gross domestic product growth and volume growth being seen in almost all markets. The physical mail market is declining, and a growing number of traditional players are competing for an ever-decreasing volume. An example is USPS, which is facing increasing pressure in direct mail from new forms of advertising. Companies such as Groupon and Living Social, along with renewed efforts by other advertising media players, are competing for higher revenues and causing a permanent decline in mail volumes. These dual forces of economic uncertainty and increased competition are raising serious concerns about postal operators' ability to deliver and sustain their positions as profitable, commercial organizations. This is the burning platform that is now driving action across the international postal marketplace.

Restructuring the cost base is an imperative

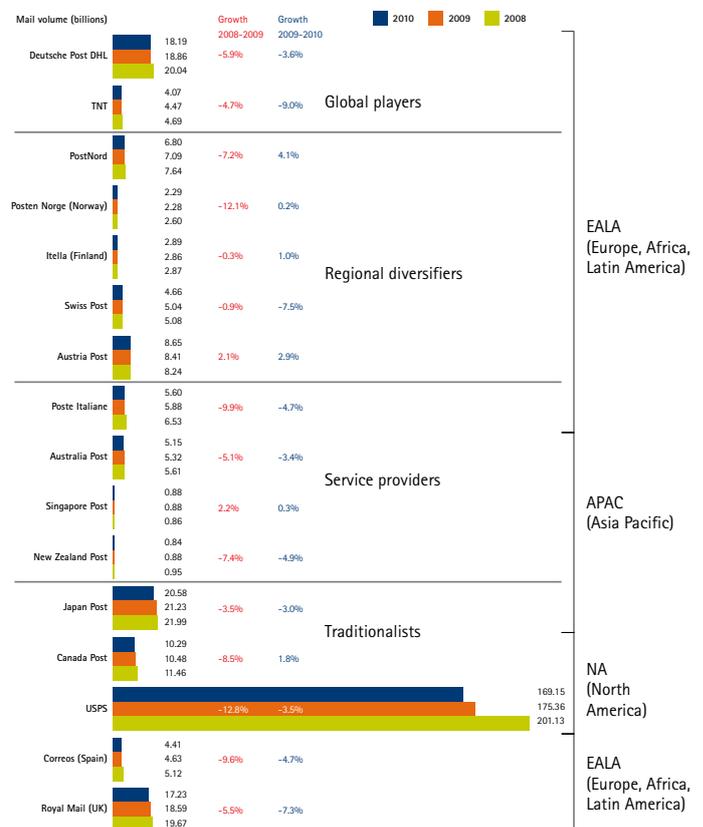
Postal operators are now approaching cost reduction from a business restructuring perspective. They are attacking every cost lever available, starting with the largest components of employee and network costs and carrying on to consider every element of their business expenditure. At the highest level, they are adopting a fourfold approach to restructuring costs (Figure 2).

Workforce realignment: Employee costs account for around 50 percent of total costs for nearly 65 percent of the postal operators we reviewed, so it is not surprising that this is a key area of focus for the majority. Postal operators continue to explore voluntary/mandatory workforce reduction, negotiating with postal unions for restructuring of compensation and post-retirement benefits and looking to increase the proportion of part-time workers. As operators seek to diversify, they are looking for opportunities that are either less labor-intensive or allow them to achieve better utilization of their existing people.

Operations: The changing mix in volume combined with an increase in demand for flexibility and a growing concern for the environment, is pushing postal operators to review and restructure their operations. Mail volume decline is encouraging a continual review of the mail's network. Parcel volume growth is shifting the discussion on automation away from mail and on to packets and parcels. Environmental concerns combined with rising fuel costs are encouraging a move to alternate fuel-based vehicles. Overall, the program of change that is under way in the operational space is extensive, and it is clear that radical thinking is required to sustain the economics of the physical delivery model.

Customer touch points: With changing customer preferences and the demand for flexibility, postal organizations are looking at every aspect of their customer interaction. While some of these activities are focused on improving customer service—self service, collection and flexible delivery options—many more are cost focused. The question postal organizations need to consider is, what is the long-term impact of reducing service levels for consumers?

Figure 1. Mail volume growth, 2008-2010



Point of sale format and structure: Linked to the above point, is the shift in the provision of retail services to customers. Increasingly, postal organizations are moving away from self-owned post offices to options such as franchising or a store within a store. This often allows the postal operator to reduce its cost base while improving accessibility to customers with longer opening hours and, in some cases, a larger retail network.

Sustainability and the environment—a cost reduction opportunity

As owners of the largest logistics and transport network in the world, postal operators are all too aware of their impact on the environment. Sustainability efforts by postal operators have seen some “quick wins” with efforts to make their supply chains green and a first wave of short-term cost savings around reducing emissions, such as switching to green electricity, increasing fuel

efficiency and vehicle route optimization. A second wave of initiatives looks at “cost restructuring” rather than “cost take-out” and requires postal operators to be more strategic about their decisions and investments. These initiatives will help reduce cost through the design of new facilities, the procurement and deployment of new machinery, and also the increasing use of alternative fuels in vehicles and buildings. The second wave is more challenging, as it requires a cohesive effort between various players, such as the postal operator, building certification agencies and automobile manufacturers, along with broader changes in policy at national levels.

The business case for sustainability is being built by postal operators on one of the four main levers—cost savings, new market entry, increase in market share, and employee recruitment and retention—with an eye on the overarching theme of mitigating financial and reputational risk. Despite an initial trend

Figure 2: Cost reduction levers for postal operators

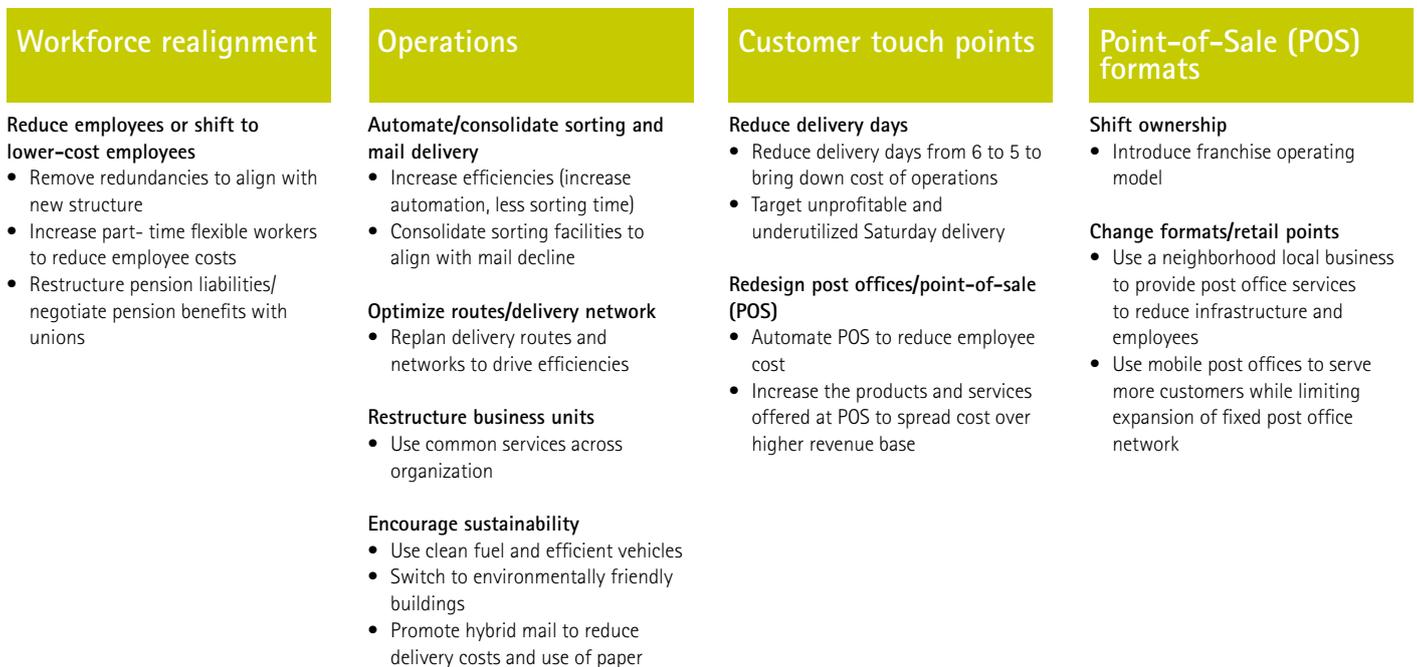
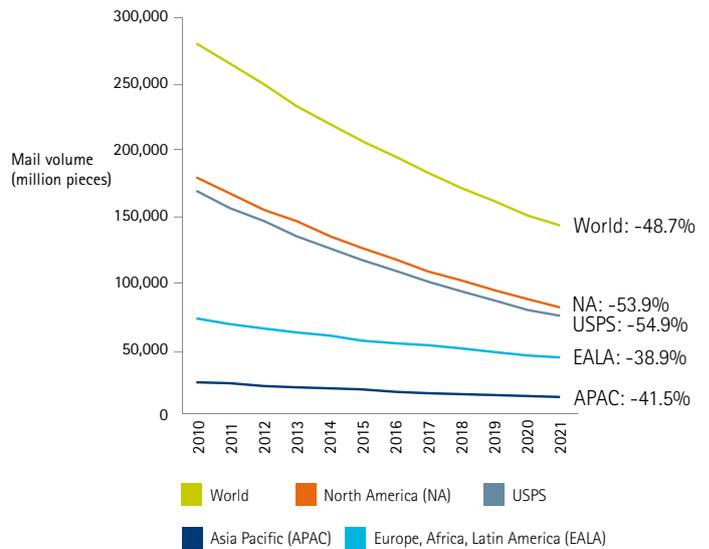


Figure 3. a. Mail volume based on last three-year CAGR

Estimates based on three-year CAGR



in developing environmental products and services, reality has shown that while consumers desire green products, paying a higher cost for them is still unfavorable. As a result, we are seeing in today's climate of economic uncertainty with a tunnel vision on cost, less focus on sustainable products and an increased focus on the environmental aspects of the core business operation. One obvious reason is that postal operators are large-scale transport users and fuel costs are a significant component of the overall cost. The transportation sector and automobile sector is impacted by increasing energy prices. With developed nations focused on CO₂ emissions and the logistics sector being held accountable as the largest contributor, there is pressure on postal organizations to address transportation and facilities matters. Also, the implementation and monitoring of such initiatives can be more efficient as operations are within the internal control of postal operators.

The DNA for diversification success

Our 2012 study shows that high performers have been able to break the link between mail volume decline and revenue growth and profitability:

- Poste Italiane saw mail volume decline 4.7 percent in 2010 but experienced revenue growth of 8.7 percent and achieved profitability of 12.3 percent. Three-year revenue growth had increased from 5.6 percent to 8.3 percent while three-year profitability improved from 9.7 percent to 10.0 percent.
- TNT saw a mail decline of 9.0 percent, with revenue growth of 8.9 percent and profitability of 3.0 percent. Five-year revenue growth had increased from 3.3 percent to 4.0 percent.
- Singapore Post saw revenue growth of 9.2 percent. Revenue growth has come from the logistics and parcel business, while its mail business has experienced a decline.

The question is how do you approach diversification to deliver commercial success?

In our view, the essential DNA for diversification success is clarity of vision around the market. All five communication markets—transaction mail, government-to-citizen (G2C) communications,

media content, social communication and direct mail—are expected to weaken, resulting in a non-reversible volume decline by 2020 with physical mail volumes expected to decline by as much as 40 percent over the next 10 years.¹ Postal companies that are diversifying successfully understand this reality and have a view of how this will affect the composition of their business. They recognize that they must reposition themselves to exploit the areas of growth and defend the areas of decline.

Applying our market forecast for each segment allows us to see how revenue composition could change significantly over the next few years (Figure 3). This is the context that needs to be considered to drive a successful diversification strategy.

Postal operators are strengthening their position in existing markets, and undertaking geographical expansion and diversification into new services through build and buy options. For example, in Spain, Correos is expanding through a partnership model to enter new markets in Asia in parcels; Poste Italiane is introducing new services through Postemobile as part of its multi channel customer access strategy and TNT is expanding its parcels network into new geographies through acquisitions.

As Figure 4 shows, there are many options for diversification: the question remains, which is the right option for your organization?

¹ Source: Copenhagen Institute for Futures Studies Report "Role of Mail 2020," International Post Corporation 2011.

Figure 3. b. Revenue composition projection

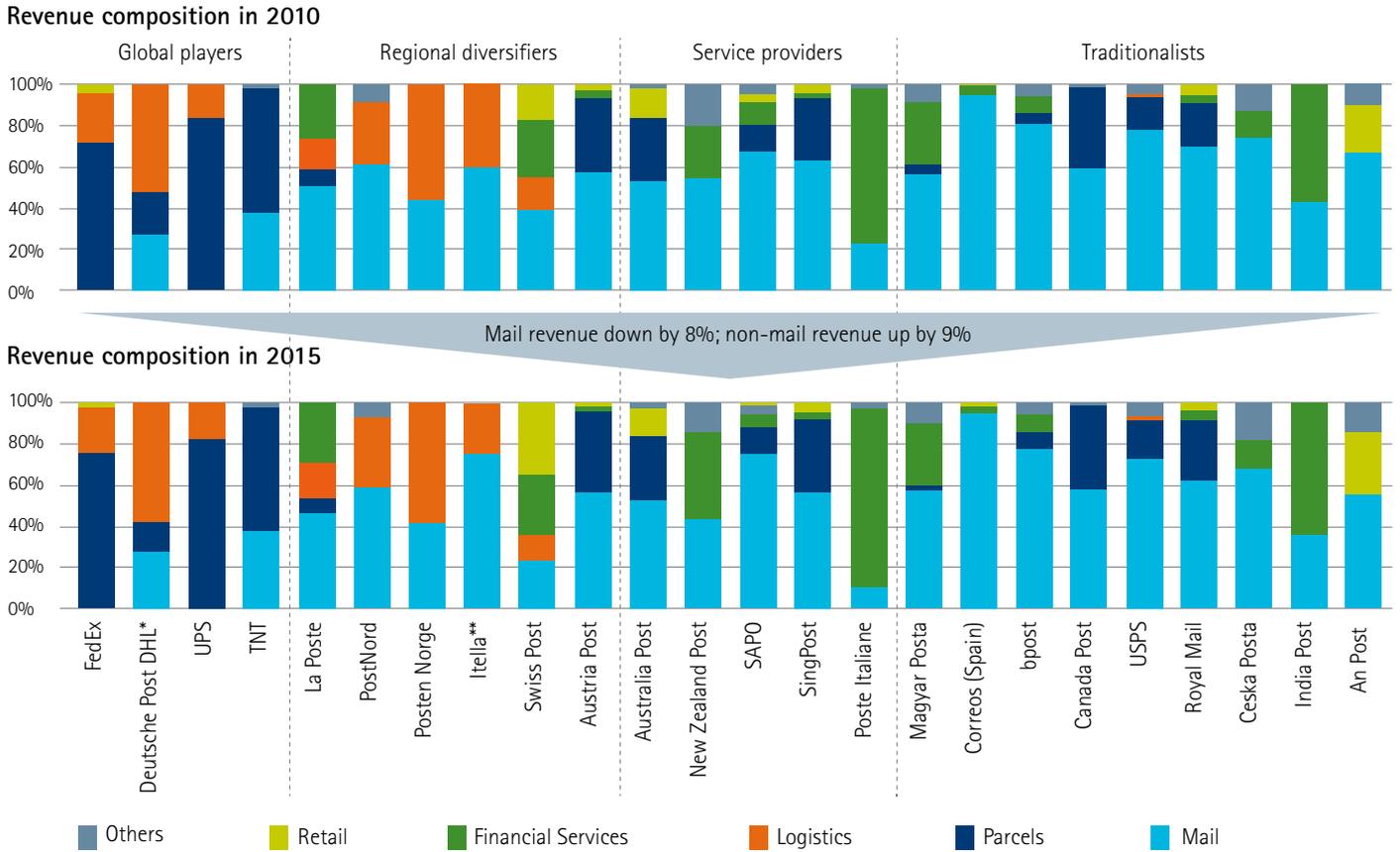
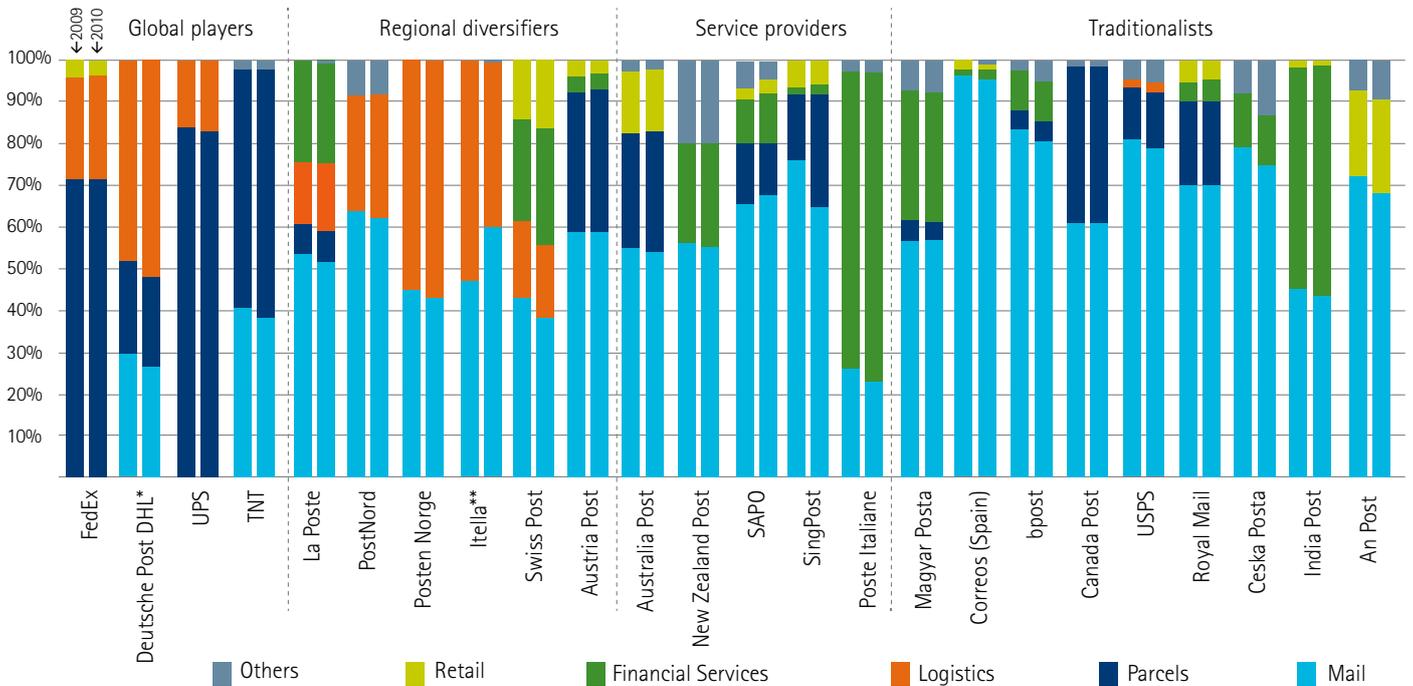


Figure 4. Diversification in 2009 and 2010



*Sold Postbank in 2010

** Itella's mail includes parcels and express revenue. Number of parcel and transport units increased in 2010 compared to 2009

Lens on the long term

Postal operators must identify and develop new services and markets.

Is financial services an opportunity for all?

Full-scale banking services are systematically becoming part of the retail value proposition mix, as postal organizations focus on the productivity of the post office network to diversify revenue streams and protect margins through higher profit revenue streams. As market commentators have identified, there is potential for postal operators around the world to target 1.1 billion new account holders.² However, analysis of successful postal models for financial inclusion shows that there is no "one-size-fits-all" approach. While there is a wide heterogeneity in terms of models for the provision of financial services through postal operations, there is a strong commitment to financial inclusion policies across all BRIC countries—Brazil, Russia, India and China. In developed economies, the divestment of banking operations by postal organizations is picking up speed, due to factors such as improving liquidity, focusing on core competencies and the removal of mandates to provide banking services.

Postal banking products differ in developing and developed economies with the former offering basic products, for financial inclusion purposes, and the latter offering a complete range of banking services.

Postal operators are adopting four models in developed economies:

- Broad financial services
- Narrow financial services
- Partnerships with banks
- Banks using post offices for retail

The model for financial services diversification has been influenced by the incumbent's strategic, political and economic situation and capabilities. For example, Poste Italiane offers extensive financial and insurance services through its post offices while Correios (Brazil) is driving financial inclusion through the use of mobile banking.

Are parcels the new mail?

The parcels segment has established itself as a lucrative revenue diversification stream for international postal organizations—but postal players need to be innovative to steal a greater share of the pie.

After mail, the Courier, Express and Parcel (CEP) segment had the largest share in the overall revenues of the postal industry in 2009. By 2015 this share is expected to further increase due to a rise in e-commerce and the drive to serve the growing business-to-consumer (B2C) segment. The current e-commerce market available to postal players is worth around 200 billion euros and expected to grow—e-commerce accounts for only 5 percent of total retail sales currently.³ Double digit growth in online retail is forecast across all geographies, presenting a healthy growth opportunity for the parcels market.

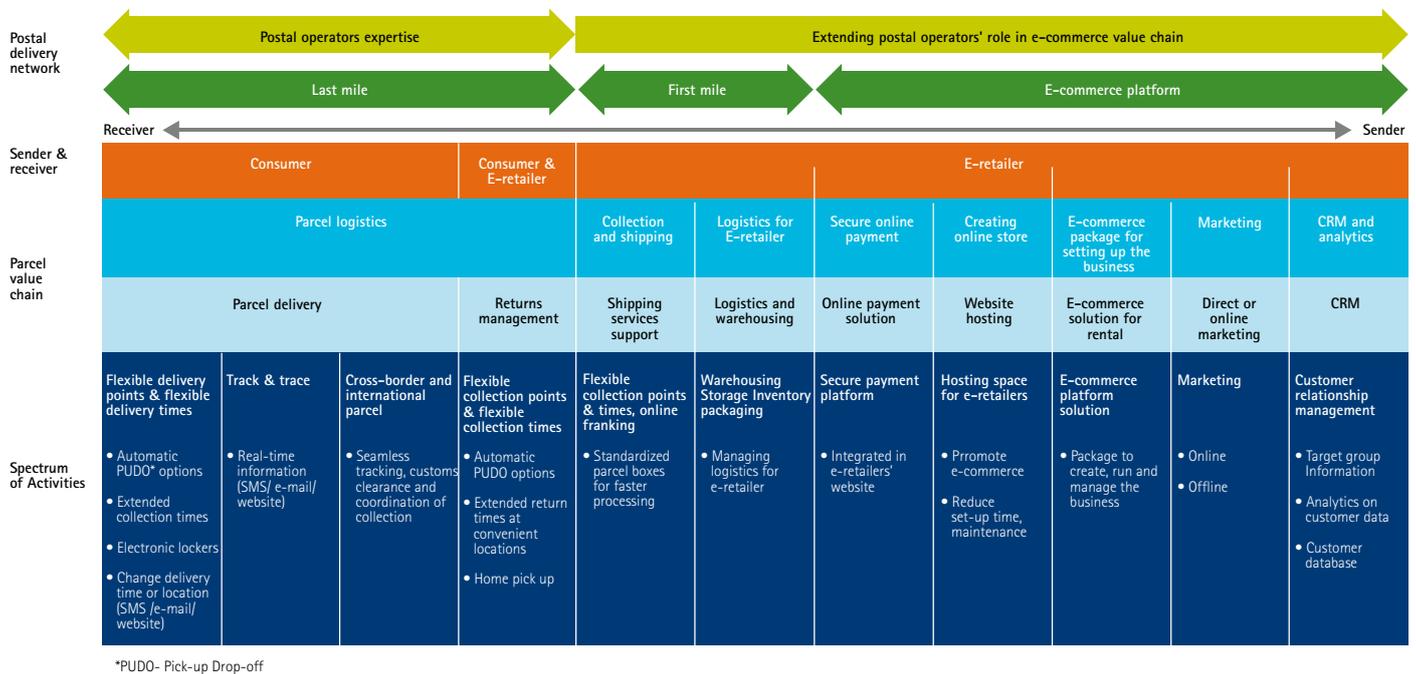
While an uptick in parcels revenue augurs well for postal operators, they need to think strategically to be competitive in the longer term.

Parcel revenue has been responsible for a growth in overall revenue for all top-performing postal organizations. High performers from the global players category have either seen an increase in revenue contribution from this segment or an increase in revenue in 2010 over 2009. High performer Singapore Post from the service providers category has seen a significant increase in revenue contribution from the parcels segment in 2010. However, parcel delivery charges are becoming more competitive as different players jostle to snatch a larger share of this growing market.

² Source: "Between Financial Inclusion and Postal Banking: Is the Survival of Posts Also There?" José Ansón and Joëlle Toledano, June 2010.

³ Source: International Post Corporation

Figure 5. Parcel delivery value chain



To avoid being trapped into providing a commoditized service, postal operators need to move up the home delivery value chain as e-retailers prefer to concentrate on core product rather than logistics. Postal operators have already built scale and depth in parcel delivery and returns management as they have a natural alignment in last mile delivery network ownership. High-performing postal operators are offering flexible delivery options to customers to enable "first time right" delivery, reducing last mile costs in the process.

Postal operators need to build capabilities to support e-retailers in their marketing and expansion of e-commerce. In turn, e-retailers need support in transport and warehousing to free them up to focus on their core business. Postal operators have a prime growth opportunity in the logistics space by expanding their service offering across the home delivery value chain (Figure 5). Some postal operators are already hosting e-retailer websites and integrating payment solutions in their parcel offerings.

To achieve success in the parcels segment, postal organizations need to be cost effective, offer a quality service and become a trusted delivery partner.

Success factors include: expertise in parcel delivery and returns, segmented pricing strategies for various segments of e-retailers, fulfillment services for e-retailers, payment solutions for e-commerce, website/online shop design and management, integrated e-commerce solutions, and marketing and customer relationship management capabilities. Postal operators are facing challenges in delivering integrated e-commerce solutions to e-retailers as this requires extensive digitalization capabilities. Similarly, to become an effective logistics partner, postal operators may need to develop or offer logistics expertise.

Figure 6. Digitalization by postal organizations

Mail-related services				Parcels & logistics		Financial services		Multichannel access for customers/consumers			
Digital mail	Hybrid mail	Document management	E-billing/ e-invoicing for consumers	E-billing/ e-invoicing for customers	E-commerce	Shipping solutions	Payments and remittance	Bill payment systems	Online tools	Mobile applications	Web-based tracking
<ul style="list-style-type: none"> Digital-to-digital Secure version of e-mail Complies with government regulations Alternative for physical mail 	<ul style="list-style-type: none"> Physical-to-digital and digital-to-physical format Varies physical and digital mail generation, conversion, and distribution 	<ul style="list-style-type: none"> Scanning and archiving services Transparent, accessible and efficient. Single point access to multiple people/locations 	<ul style="list-style-type: none"> Sending/processing an invoice wholly by electronic means Employs fully structured data Can be automatically processed by senders, receivers and other involved parties 	<ul style="list-style-type: none"> Provides end-to-end solutions Reverse logistics Capabilities for international parcel supply chain 	<ul style="list-style-type: none"> Full service from insurance, preparation of shipment and packaging to proof of delivery Specialized industry solutions 	<ul style="list-style-type: none"> Transfer of money by a foreign worker to his or her home country 	<ul style="list-style-type: none"> Feature of online banking Send money from demand account to creditor or vendor (e.g., utilities) 	<ul style="list-style-type: none"> Tools for shipping (e.g., labels) Making payments Tracking deliveries Locating nearest post facility 	<ul style="list-style-type: none"> Tracking through SMS or mobile optimized websites Change delivery time of shipments 	<ul style="list-style-type: none"> Track delivery of post and shipments Use by customers or other parties in the supply chain 	

Can digitalization deliver?

Digitalization can support the delivery of operational efficiencies and the introduction of new products that not only address revenue challenges but also the desire for enhanced value. At the highest level, digitalization helps to:

- **Streamline operations:** improve customer service by offering additional channels for customer interaction and providing information that can help with scheduling service provision.
- **Introduce new sources of revenue:** digitization of information flows is opening up new business opportunities in intelligent logistics, hybrid mail and end-to-end electronic mail services.
- **Improve efficiency:** software-enabled solutions are allowing postal operators to improve their business economics, increasing efficiency in the allocation and utilization of resources.
- **Encourage online shopping:** the digital revolution encourages online shopping and the subsequent demand for parcels and e-commerce.
- **Foster direct marketing:** digital print technologies are enabling multichannel marketing efforts with mail as the trigger, initiating a consumer response either online, by telephone or by return mail.

Postal operators are adopting information and communications technology to create digital solutions across traditional and new service vectors to help customers and consumers shift seamlessly between the digital and physical world (Figure 6). Digitalization has progressed from being a strategic consideration to strategic differentiator. High performers have moved beyond the “when and what?” of digitalization to using digital diversification to create differentiation in products and services and widen the gap between themselves and competitors.

The influence of digitalization can be seen in every aspect of postal operations, from products and services to tracking, collection, delivery, sorting and route optimization. Most of the postal operators we researched agree that electronic services are strategically important for long-term sustainability. Indeed, innovation in strategic e-services is taking place. Postal operators are moving increasingly from offering sender-oriented products and processes to receiver-oriented products and processes. Over recent years, many postal operators have developed offerings with the receiver in mind, such as digital mail, reverse hybrid mail and web based tracking and bill payment (Figure 7). Hybrid mail is advanced in most postal organizations, but digital mail is still in its nascent stages.

Figure 7. Digital postal offerings

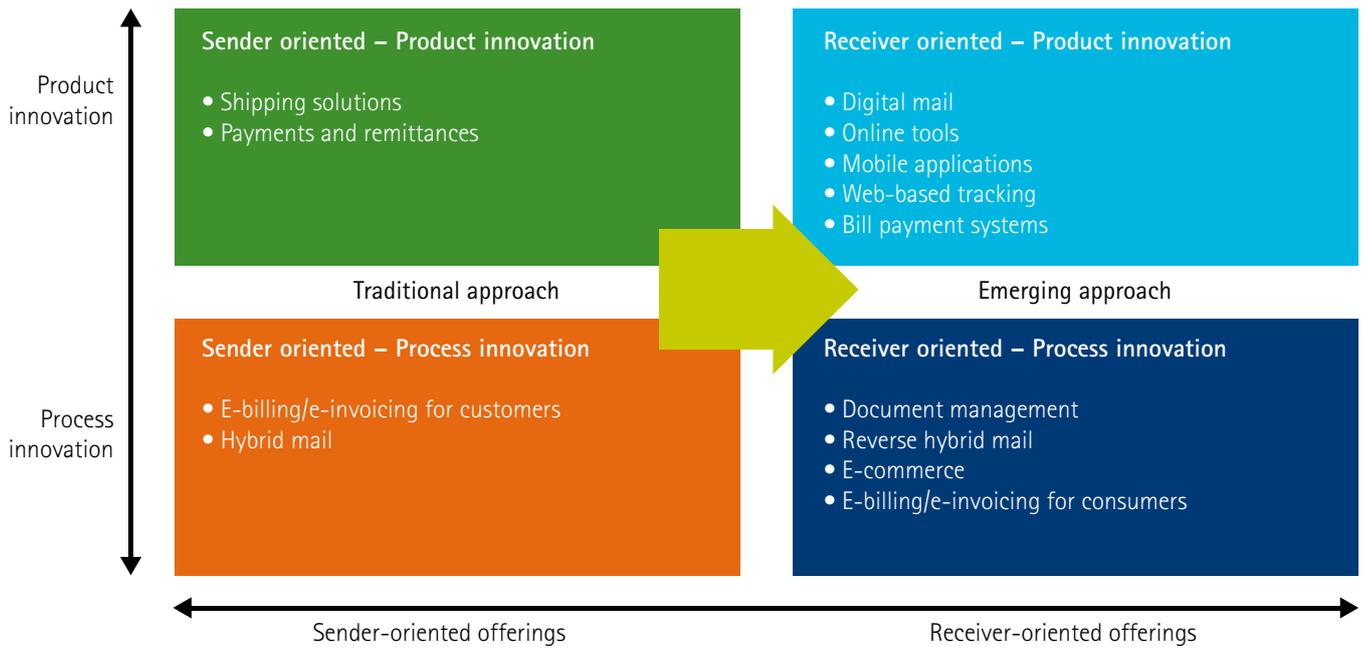


Figure 8. E-government services

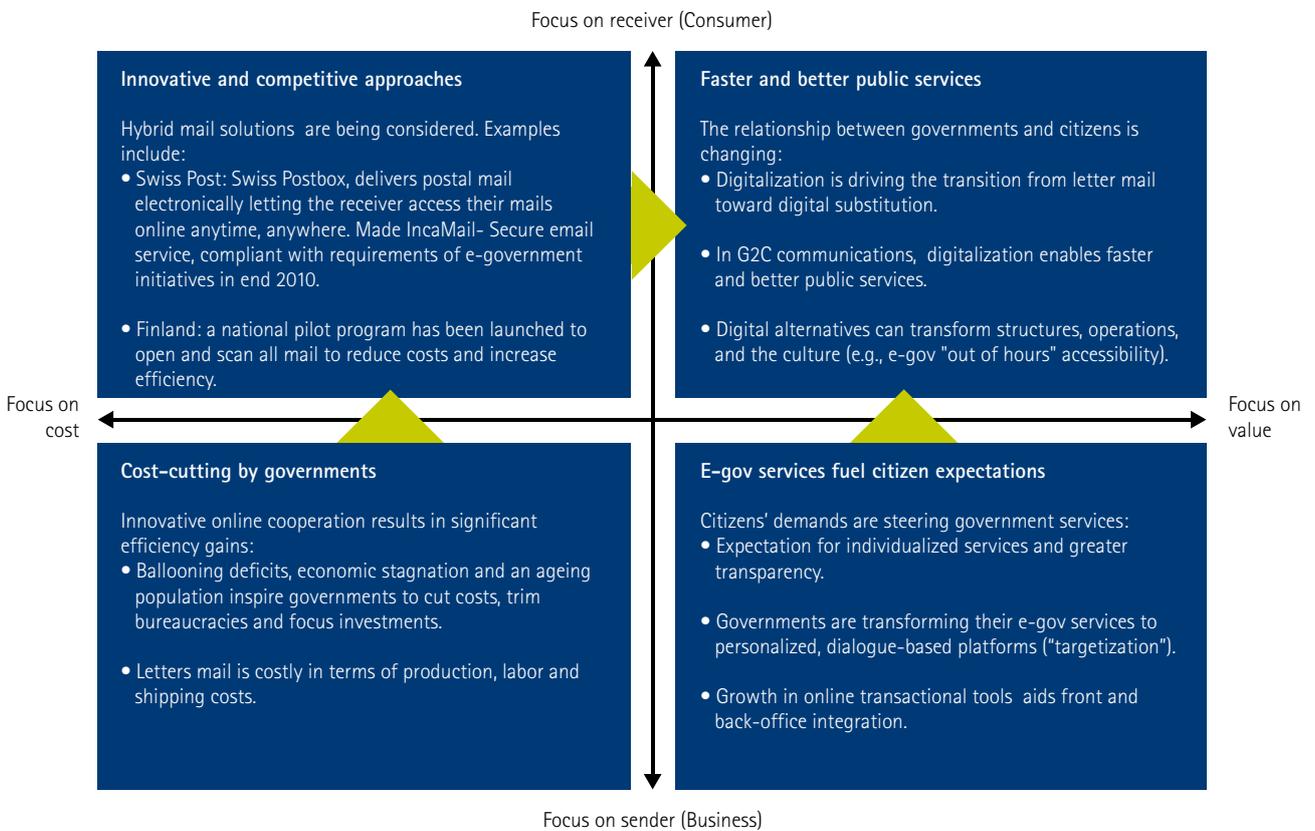
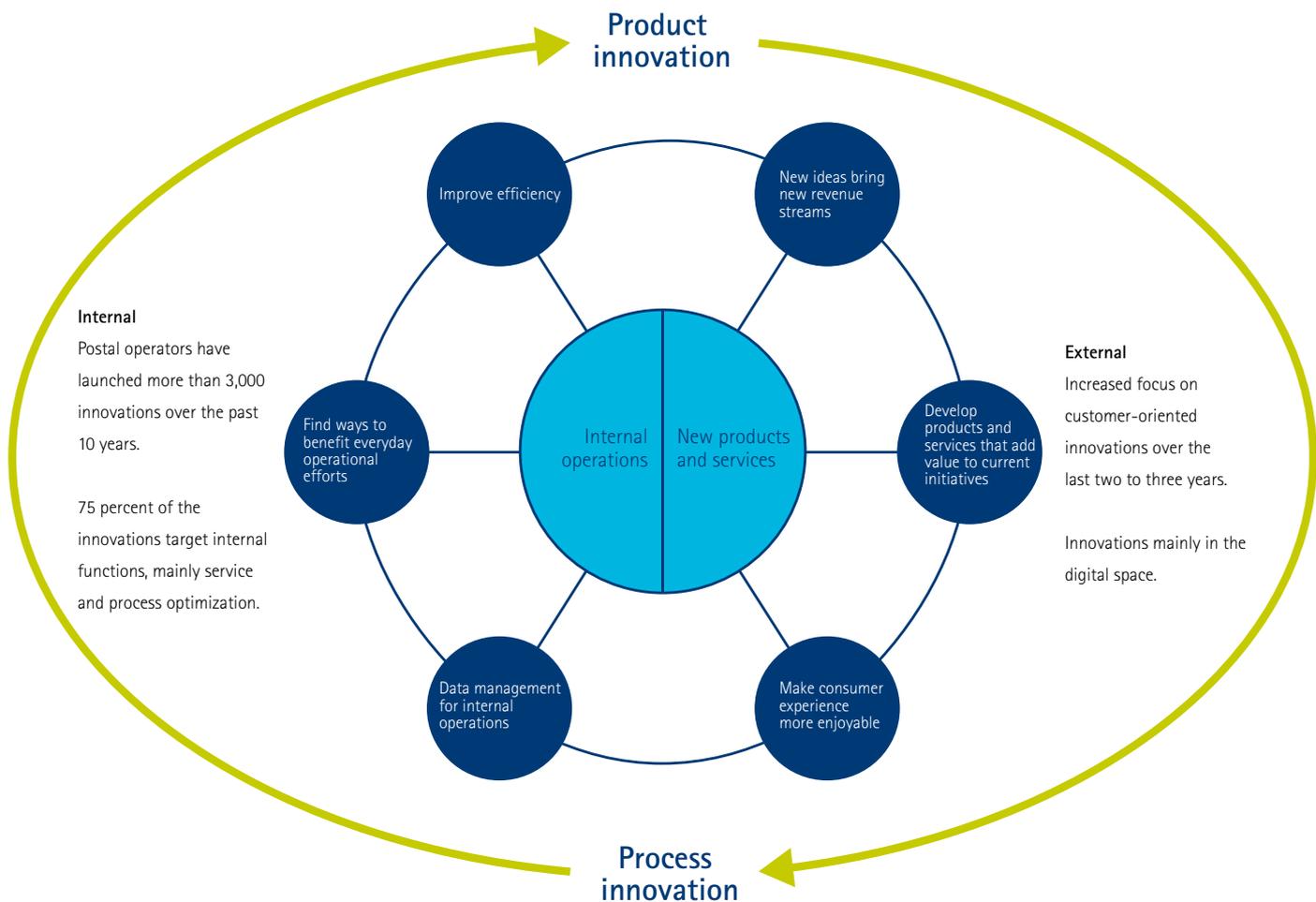


Figure 9. Innovation in postal industry



The use of physical mail by the government for Government-to-Citizen (G2C) communications is expected to decline as e-gov services rise during the next decade.

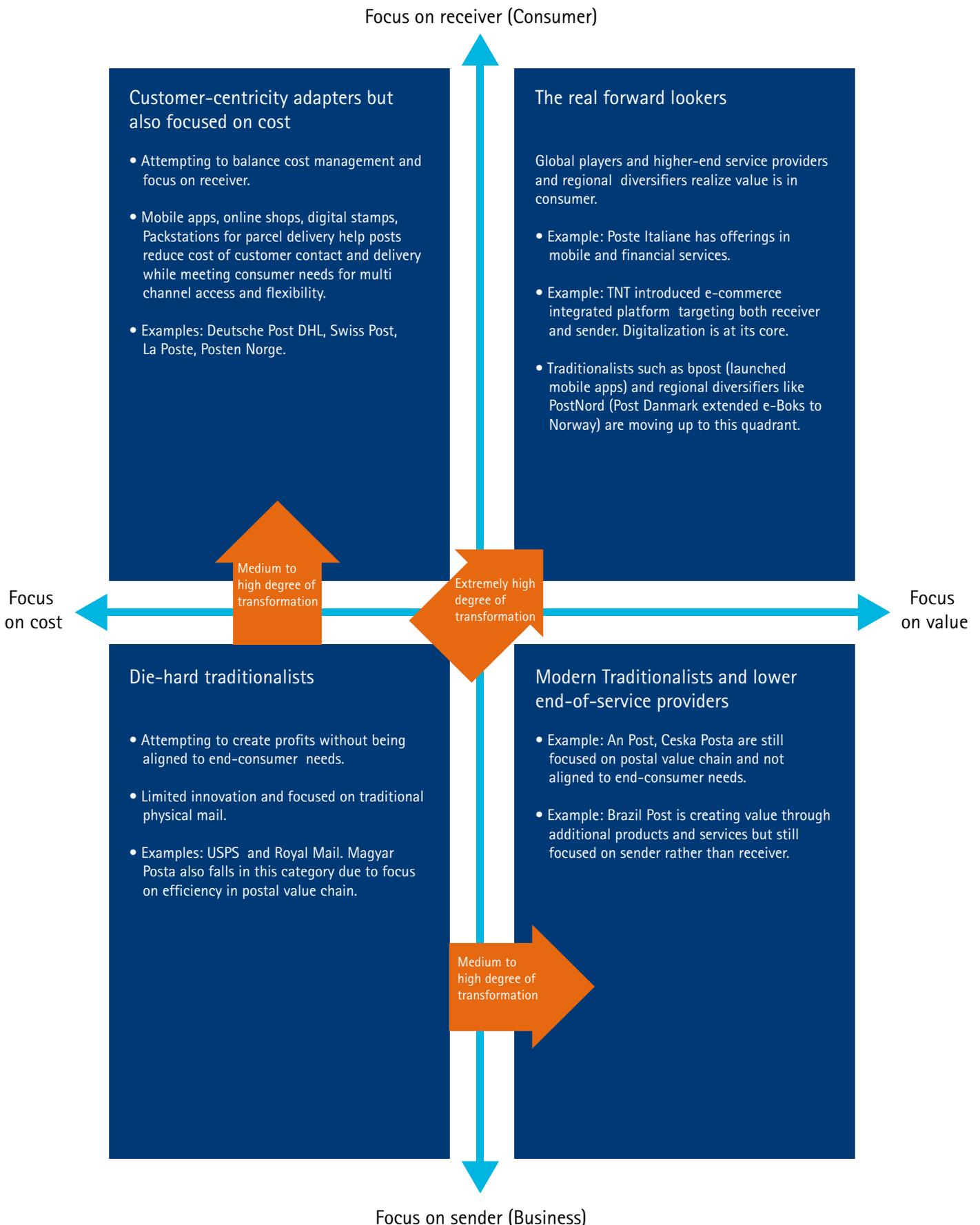
Digital services are perhaps least developed for e-government services, but we can see from our 2012 research that this is an emerging trend. There is an expectation that only highly sophisticated documents designed to be offline, portable and durable (drivers' licenses, passports and medical cards) will be sent by mail by end of next decade. G2C communication will be increasingly automated and function through single-point entry systems, with governments relying on auto-generated messages based on key life events and calendar alerts. Governments are showing a strong interest in reducing the volume of physical communications sent to citizens and driving citizens to use online, self-service options. The rate of decline will vary from country to country, but the potential cost savings to governments is a powerful motivating factor (Figure 8).

Innovation and customer centricity—the final ingredient

High-performing postal organizations use innovation as they recognize the importance of new technology and creative solutions to their overall success. Innovation is being realized in both internal operations and externally facing activities through new products and services, with product and process innovation being self-perpetuating (Figure 9). For consumers, innovation spells individualization and the opportunity for postal organizations to achieve customer-centricity.

With the emphasis on personal choice, the postal industry will need to provide specialized services, including a choice of electronic and physical mail delivery channels. Developing innovative products and services in the face of changing customer needs opens up new ways of using traditional postal tools and competencies, such as the launch of automated postal outlets. Postal operators are innovating by combining new technology with their core capabilities to create electronic postal networks that provide the information-based services desired by consumers and businesses.

Figure 10: Innovation and customer-centricity with a focus on value and receiver



Combining innovation with customer centricity means most postal operators are adopting either a receiver or value focus. But only forward-looking innovators have taken this a step further to think along both dimensions and consider a transformational approach (Figure 10).

Postal organizations that achieve high performance demonstrate the ability to analyze, understand and meet customer needs. Customer-centricity is being pursued by postal operators across all segments of diversification:

- **Parcels and logistics:** postal operators are providing designated lockers at various locations in a city to offer their customers the flexibility to collect their own parcels and mail. TNT has added temperature controlled delivery for its healthcare clients.
- **Retail services:** introducing customer choice to enjoy postal services at stores or shopping centers led to agreements between TNT and Albert Heijn.
- **Financial services:** La Poste has transformed its postal offices to provide a wider range of financial products. Post offices are now organized around a banking area and a sales area. The banking area has financial advisors and client managers and the sales area has a self-service section, an automated machine area and island booths (quick transactions, financial services and professional services).
- **Government services:** Correios (Brazil) is enabling the government to achieve financial inclusion as today more than 6,000 post offices (91 percent in the interior) in more than 5,000 municipalities are connected to the Internet and offer financial services. Brazil Post is providing many small- and medium-sized enterprises (SMEs) with access to credit.

- **Telecommunications:** PosteMobile by Poste Italiane has been highly successful. It offers customers the ability to transfer money to and from Postepay prepaid cards, recharge cellphones, pay bills and check Bancoposta accounts. SIM PosteMobile transforms the phone into a true "electronic purse" with which consumers can pay, for example, mobility services and transportation such as taxis, buses and trains.

Postal operators face challenges in terms of maintaining service levels, convincing customers to switch to new offerings and monetizing these customer-centric initiatives. Managing innovation is equally challenging; postal organizations need to ask themselves:

- **What to innovate?** With physical and digital barriers becoming more entwined, the potential for innovation is broad. Postal operators need to focus on innovations that add value and let the receiver take center stage in the communication value chain.
- **How to manage innovation?** Define what structure is best to foster innovative thinking and to promote and consolidate a culture of innovation in the organization.
- **How to monetize innovation?** Digital mail is one of the most advanced innovations but postal organizations are seeking the right model to successfully monetize this offering.
- **What innovation model to pursue?** Globalization demands a more collaborative approach towards innovation, emphasizing interoperability; an "open innovation" model and collaborative approach are the way forward.

Above all, postal operators need to be clear on their strategic intent and what is essential for a sustainable future.

Achieving high performance

In conclusion, our 2012 research shows that postal organizations that achieve high performance are those that have not only been able to face challenges and eliminate or reduce capability gaps, but also have done so with a strategic intent and clarity.

A number of factors distinguish the high performers from the rest:

- **Long-term strategic clarity:** The ability to clearly identify the path that needs to be followed for sustainable and profitable growth.
- **Leadership:** The ability to challenge regulatory bodies and entrenched cultures to transform and shape the mandate and future of the organization, to adapt to trends.
- **Mindset:** The acknowledgement that new revenue streams are competitive, where pricing is based on value creation rather than cost-based. In addition, it is important that there is a mindset that accepts that structural changes are required for survival in a changed environment.
- **Approach to innovation and customer-centricity:** Having the freedom to experiment and examine new operating models to drive new revenue, to explore ideas fully and execute them well. The willingness to shift from sender-focused to receiver-focused orientation is an essential ingredient.
- **Efficiency enabled by cost restructuring with strategic intent:** The ability to focus on improving overall efficiency to drive down costs and remain competitive. More importantly, the ability to identify what is core to business rather than the blind pursuit of cost control.
- **New postal workforce:** Employing the right skills (customer service, team work, IT skills, etc.) at a cost-effective level aligned with the overall strategic direction.



An eye on the prize



Although postal operators need to keep cost reduction firmly in their line of sight, it is also essential that they keep in view their strategic outcomes. Increasing prices at the risk of poorer quality service levels is not the way forward. New markets should mean new value. Differentiation—whether at a product, data or service level—is creating a visible gap between high-performing postal players and their competitors. Postal operators must place the accent on choice—making the right choices for both themselves and their customers. It is here where strategic clarity comes to the fore. Being clear about their strategic choices and goals enables postal operators to focus on digital diversification, reach profitable pastures and achieve the kind of sustainable future that leads to high performance.

Next-generation post checklist

Executives in the postal industry who hope to mirror the high performers must consider the following questions and realistically assess their answers:

- 
- Are you focused on the receiver and adding value to products and services offered?
 - Do you have the mindset to remain flexible and adaptable?
 - Do you have a culture that understands and is aligned to a "for profit" environment?
 - Do you have a diversification strategy that will keep you relevant, sustainable and profitable?
 - Is your cost reduction strategy aligned to overall strategy to determine what is essential for your future growth?
 - Are you expanding beyond parcel logistics to create differentiation and opportunity for higher margins?
 - Are you embracing the full opportunity of digitalization?
 - Are you prepared to work with governments as they move toward the use of digital formats?
 - Do you have strategic clarity for the long term?

Contacts

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Vineet Narang is the postal industry program manager within Accenture responsible for growing business, developing and maintaining offerings, driving various strategic initiatives, and producing industry-specific points of view and research papers. He has more than 12 years' experience in business strategy, research analytics and project management and has worked with various government and public service organizations. Narang is based in New Delhi and has an MBA (finance and strategy) and a degree in computer engineering from leading Indian universities.

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Research methodology

This report consists of analysis based on publicly available information, content published by the postal organizations, and Accenture industry knowledge and experience.

About Accenture

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