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IPC Strategic Perspectives

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Investigating Innovation



"It's very difficult to make predictions, especially about the future."
(Niels Bohr, Nobel prize in Physics, 1922)

Introduction

The first decade of the 21st century ended in the grip of an unprecedented and deep global economic recession which significantly impacted the letter mail business of many posts around the world. Mail volume declined more sharply than ever, accompanied by accelerating rates of e-substitution as businesses try to contain costs.

Among IPC members reporting full year results for 2009, letter mail volume declined between four and seven percent. However, the United States Postal Service (USPS) saw mail volume drop by 13 percent compared with 2008, from 203 billion to 177 billion mail pieces¹. In the period 2008-2009, New Zealand Post experienced a decline in total addressed mail volumes of 6.7 percent compared with an average decline of one percent a year over the past five years².

Australia Post, TNT and De Post/La Poste of Belgium reported mail volume decline between four and five percent for 2009 fiscal year³.

‘Substitution of mail volume by electronic alternatives is now an irreversible trend in almost all European countries’(TNT Annual Report 2009).

Looking back, e-substitution has been impacting letter mail volumes since the commercialisation of the internet in the 1990s. However, as described by Pitney Bowes in the chart below, the adoption of electronic forms of communication has both negative and positive effects on the volume of physical mail. Postal innovation which embraces electronic communication, builds technological competencies and will maximize positive effects on letter mail volumes.



¹ USPS Annual Report 2009, p. 3. See also http://www.usps.com/financials/_pdf/annual_report_2009.pdf

² Source: New Zealand Post Annual Report 2009, p.18. See also <http://www.nzpost.co.nz/NZPost/Images/NZPost/AnnualReports/AnnualReport2009.pdf>

³ Source: <http://www.demorgen.be/dm/nl/3324/Financiele-crisis/article/detail/1065148/2010/02/09/Minder-omzet-maar-meer-winst-voor-De-Post.dhtml>

Postal Innovation

Posts are responding to tough trading conditions through increased efficiencies and cost-cutting initiatives as well as adopting strategies to support longer-term growth.

The United States Postal Service achieved a \$6.1 billion cost reduction in 2009 by reducing working hours and improving internal operations while introducing enhanced and innovative services to improve service to its customers⁴.

At the same time, diversification and innovation strategies adopted by posts (within individual legal and organizational frameworks) aim to maximize revenues along the mail value chain and are redefining the role of posts from delivery to facilitator of communication.

When developing new products and services, return on investments are maximized by working cooperatively and ensuring interoperability between posts. IPC contributes by providing platforms for intelligence sharing among its members, within the broader strategies and directions set by the IPC Board.

Innovation is defined as “the ability to invent a new product or service”, or “the use of existing tools and competencies in a new way in order to streamline processes, increase revenues or strengthen an organization or sector’s relevance”⁵.

The postal industry has always been a source of innovation. In the 19th century, the focus for innovation was on the creation of a network industry linking decentralized local community services. In the 20th century, innovation focused on mechanization and automation to increase efficiency in response to a higher market demand. Posts achieved greater speed, quality of service and efficiency through automation and the use of new technologies which improved operational processes.

In recent years, electronic postal innovation has encompassed the development of services, such as hybrid mail, using new technologies to enhance traditional postal activities, improving efficiency and convenience for the customer.



⁴ ‘Ensuring a Viable Postal Service for America’ USPS, March 2009

⁵ <http://en.wikipedia.org/wiki/innovation>

Key Consumer Driver: Individualization

Today there is a heightened need for individual expression, choice and personal freedom. Whereas 50 years ago, cultural and family backgrounds had a major influence on shaping an individual's identity, today, people make personal choices independently which define them as individuals. This trend results in an increasing demand for tailor-made products and services, especially in terms of digital communication; for example: 3G phones that allow users to access the web on the move, and digital TV that offers access to programmes whenever viewers want to see them.

Consumers are frequently co-designers of the products they use, uploading their own picture to their bank card, the screen of their mobile phone or the stamps on the letters they send, for example.

The postal industry will be required to provide more specialized services including a choice of electronic and physical mail delivery channels.

Consumers want to choose whether their goods bought online are delivered at home, at work or to a parcel collection box. They will also want the advertising they receive to be more relevant to them as individuals, based on preferences.

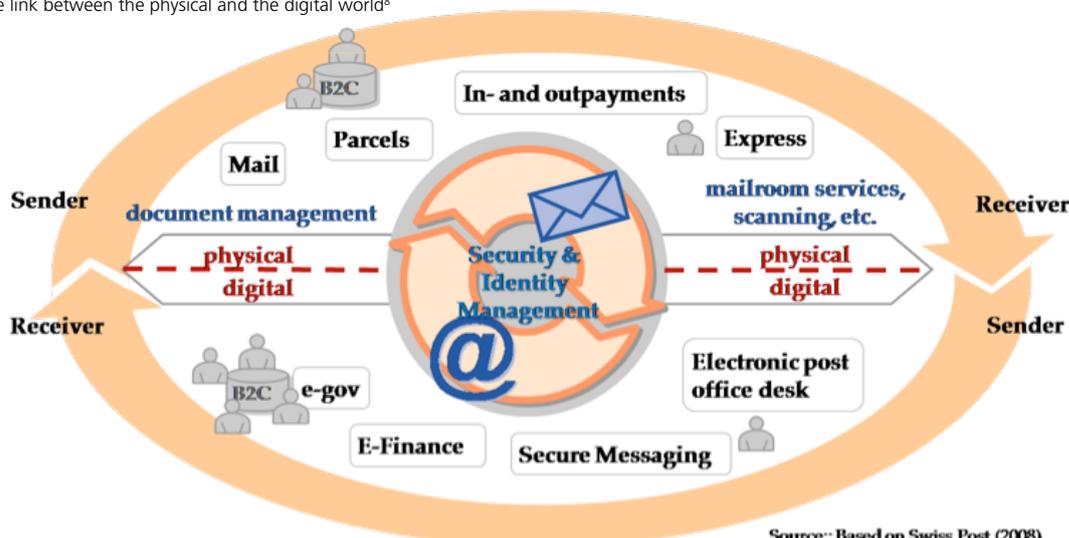
Postal organizations today are striving to bring services closer to customers in ways relevant to the 21st century. Innovation through developing products and services in the face of changing customer needs brings new ways of using traditional postal tools and competencies such as the launch of automated postal outlets.

Posts are combining new technology with their core capabilities to create electronic postal networks that provide the information-based services required by consumers and businesses. They support the complex interconnections between physical and electronic communications and are seeking diversification in order to develop new revenue streams in the face of diminishing letter volumes. Posts are aiming to remain key players in today's information society.

Focus needs to be along the entire mail value chain from sender to recipient, offering choice in the manner to send and receive information⁶. Innovation has stretched into the realms of document management by offering electronic services along the pipeline from receipt to delivery and through archiving.

Postal business models of the future will look at managing the full document cycle for consumers and businesses, providing more touch points and flexibility for customers. They will look to provide a trusted infrastructure in a complex grid of electronic communication and virtual documents, where the security and trust provided by a gatekeeper and ID broker will be of significant importance⁷.

Posts provide the link between the physical and the digital world⁸



Source:: Based on Swiss Post (2008)

⁶ GPRN,EPFL, Claude Béglé, Key Note Speech, April 2009.

⁷ 'The Current Application Landscape of Postal Services' Document Exchange Network April 2009

⁸ Presentation Swiss Economics, October 2009

Focus on Electronic Postal Services

Postal services 24/7/365

Most IPC members now offer access to postal services 24 hours a day via web-based services and automated postal centers (APCs) providing a low-cost alternative to the retail counter.

Improving quality of service

Posts have used initiatives such as Intelligent Mail (a registered trademark of USPS⁹) to upgrade their internal quality by improving address quality; reduce the number of non-deliverable items; increase the number of items that can be automatically sorted and sequenced down to delivery point level; and analyze the number of processing errors, thereby reducing them. Although barcoding does not generate extra revenue, it can make an important contribution to revenue protection.

Facilitating and tailoring communications: hybrid mail

As defined by Pitney Bowes, hybrid mail is "the electronic delivery of mail from the message generator's computer directly to the postal operator's printing device as close as possible to the intended final point of delivery of the message".¹⁰

The development of hybrid mail has brought two key benefits to postal organizations. It has improved quality of service by streamlining processes, and has cemented the post's technological image in the mind of business customers and consumers.

Poste Italiane drastically cut delivery times and positioned itself as a trusted supplier of electronic services by offering hybrid mail solutions. In 2004, hybrid mail accounted for 29 percent of volumes, up from eleven percent in 2000.¹¹

The basic hybrid mail service involves customers sending mail in electronic format to selected postal operators which sort, print and deliver physical mail to the addressee. More recently, this service has been enhanced through the development of value-added features up and down the postal value chain:

- High quality printing services/range of formats
- Complete direct marketing services (from creation to delivery)
- Document management (archiving)

"Reverse" hybrid mail services are offered by some posts, where physical mail is scanned for electronic delivery. This will be even more relevant in the future as people and businesses become more mobile, holding several addresses.

Many hybrid mail solutions for business customers are aimed at both marketing mail and transactional mail. They can work for direct mail campaigns and documents, invoices etc; examples are Click & Post (De Post/La Poste) and eLetter Solutions (Australia Post).¹²

Supporting e-commerce

Posts are developing services to support reliable delivery of purchases made online. By partnering with online platforms such as eBay, posts are able to improve the internet shopping experience, again extending their services beyond delivery. Examples include calculating exact postage, printing labels, ordering shipping supplies and complete solutions such as BorderFree, offered by Canada Post.

Postal organizations provide a trusted platform for small and medium-sized enterprises (SMEs) to enter e-commerce. They can facilitate order fulfillment, warehousing, delivery and goods return by developing specific IT solutions as well as offering direct marketing expertise to help vendors reach consumers.

⁹ See also <http://www.usps.com/business/intelligentmail/welcome.htm>

¹⁰ Source: The Emergence of Electronic Alternatives (Pitney Bowes), August 2005, Vishal Chopra and Chrystal Szeto, p.14

¹¹ A sector view on Postal Technology and Innovation (UPU), April 2007 Paul Donahoe, Matthew Biollat

¹² Later in this publication we will also give some other examples and discuss them more in detail.

Selection of E-Products Available from IPC Members

A postcard from a mobile letterbox: Postkort 2262¹³



Posten Norge recently launched a service where people can send postcards from their mobile phone. A smart phone is not required; the only condition is to have a mobile phone that can take pictures of a decent quality.

The process is simple. First the sender takes a picture with their mobile phone and sends it by SMS to "2262", a special number exclusively for this service, together with a personal message of maximum 1,000 characters and the telephone number of the receiver.

Posten Norge automatically identifies the receiver's address from their telephone number; to ensure correct delivery, it sends a message to the sender to confirm the receiver's address. This confirmation needs to be done within 1.5 hours.

Once everything is confirmed, the postcard will be printed by Posten Norge and delivered by Bring Dialogue Norway AS within three to five days.

There are some restrictions to the service: at present it is only possible to send one card at a time. It is, however, possible to send a message from abroad on the condition that the receiver's number is a Norwegian telephone number.

Prezzy Card and Loaded: give or get a Visa card in one mouse click

Some postal operators provide online banking and financial services, but they can also be innovative in the online payment sector by offering credit cards online, as New Zealand Post does with its Prezzy Card and Loaded.



Prezzy Card is a personal gift Visa card with an amount from NZD 25 to NZD 500 loaded onto it. It can also be used as a corporate prize or incentive for which the limit is NZD 25,000.

In both cases, receivers can choose their gift online or from over 29 million Visa retailers in New Zealand and around the world within twelve months after having received the card. Receivers can also use New Zealand Post's website to check the Prezzy Card's balance, view their transaction history, change the account details and register the card¹⁴.

Prezzy Card can be purchased in any Post Shop in New Zealand or from New Zealand Post's website¹⁵ and cannot be reloaded.

¹³ The information about the service is only available in Norwegian: <http://www.posten.no/Produkter+og+tjenester/Brev+og+frimerker/23367.cms>

¹⁴ <https://www.mybalance.co.nz/index.cfm>

¹⁵ <http://www.nzpost.co.nz/Cultures/en-NZ/ProductsAndServices/P/PrezzyCard/AboutPrezzyCard.htm>



Loaded, another Visa card offered by New Zealand Post, is a personalized prepaid Visa card that can be used in New Zealand, overseas and for online shopping. A Loaded card is similar to a prepaid mobile phone that needs to upload credit before it can be used. When the card's funds get low it can be reloaded from a bank account, at a local PostShop or online at the Loaded website¹⁶.

Loaded provides a service for consumers who don't have a credit card, those who want to shop online but don't feel comfortable using their normal credit card, those who want to keep their expenses between certain limits and those who don't want to risk losing their credit card during a holiday.

Tease and remind the target group electronically

Electronic postal services can support a Direct Mail campaign as the e-Teaser and e-Reminder from TNT Post show.

Both services can be sent by e-mail or SMS and aim to drive a Direct Mail campaign's target group to action. By sending an e-Teaser, mailers can gain the attention of their target group and gain a positive influence on the campaign's range and attention value. After the Direct Mail piece has been received, the e-Reminder follows up calling recipients to action: to exchange a coupon for a discount, or to ask for more information.

The e-Teaser and e-Reminder also prove their value at business events; the e-Teaser can be sent by e-mail to drive recipients to a website where they can subscribe to the event; the programme can then be sent by post, then, on the day the event takes place, an e-Reminder can remind recipients to attend.

¹⁶ <http://www.loadedcard.co.nz/apply/>

Scanning the mail: Similar to hybrid mail, only the reverse

Mail scanning operates on the opposite principle to hybrid mail; senders give the post their physical mail and the post delivers it to the receiver electronically via e-mail.

Post Danmark's data scanning business offers a range of scanning services meeting the needs of different target groups. The post scans incoming mail for its corporate customers, contributing to efficient work processes and information flows through quick and easy distribution of mail to the appropriate person in the organization.

Mail scanning is not only for bigger companies. Post Danmark has a scanning service focused on SMEs, eBrevsprækken. Mail is delivered daily to the customer by e-mail as a PDF file.

For companies which do not have the budget or know-how to scan their own invoices, Post Danmark offers a service called Fakturascanning that makes invoices available in an electronic format which can be integrated with most workflow and ERP systems.

Scanning technology can also be used for document archiving with Arkivscanning. Electronic archiving provides an optimal overview of all activities of past customer activity. Using one or more keywords, a company can access an image of the original document on-screen.

Protecting identities

The internet is enabling economic opportunity, efficiency and personal convenience in addition to many other benefits. Access to personal information has supported the growth of e-government and e-commerce services. These include streamlined administrative processes such as electronic filing of tax returns, online banking, investment services, travel and e-retailing. As a response to the threat created by online fraud and identity theft, innovative electronic services guaranteeing identity and delivery are being developed by posts.

E-post from Canada Post

Ordinary e-mail is not safe or secure enough for content-sensitive delivery. There are numerous reports of hackers who successfully gain access to unprotected e-mail messages. In July 2009, for example, a hacker broke into Twitter e-mail and stole confidential accounts. He used a feature of Microsoft's Hotmail to hijack an employee's work e-mail account¹⁷

Invoices are content-sensitive documents. With epost, an online service from Canada Post, private customers can view, pay and manage their bills online. Instead of visiting multiple websites, the consumer receives all his or her bills from organizations subscribed to the service, into one online mailbox. This mailbox can be accessed via the www.epost.ca URL or at the website of the consumer's preferred online bank. Payment and organization of the bills is carried out from one virtual location, making the service easy and convenient.

Another important advantage of epost is its security. Epost's online mailbox is a protected environment for personal and financial information, making use of data encryption. The information can be stored for up to seven years.

In other words, for Canadians who prefer to receive their bills electronically but who don't trust e-mail enough to deliver this sensitive information, epost is the perfect service.

IncaMail from Swiss Post



Another secure electronic postal service is Swiss Post's IncaMail, which has been well received by the public and businesses alike.

A main advantage of the service is its security, mainly thanks to data encryption. In addition to financial information, IncaMail is used for sending electronic communications securely with tracking and a verification option similar to registered mail. The sender can ensure that only the stipulated recipient can read their message and can receive a digitally signed receipt on request. Customers requiring even more convenience and security are able to integrate the Swiss Post Certificate, for digital identity authentication and electronic signature.

IncaMail has a variety of possible uses, such as sending electronic reminders to debtors, salary statements to employees and PIN codes to bank customers. IncaMail ensures that confidentiality is maintained in communicating with customers and consumers. Individuals can use the service to submit applications, or whenever security and confidentiality are crucial in their communications.

The service can be integrated into all e-mail systems, including Outlook/Exchange, Notes, GroupWise, Thunderbird and Apple. The new IncaMail Outlook add-on from Swiss Post is available as a free download. Outlook has been updated to include additional buttons that are compatible with IncaMail. Both additional mailing alternatives are subject to a fee, which is booked to a separate IncaMail account that must be set up by the user.

Electronic services benchmarking research

"Electronic postal services" is a broad concept which includes services aimed at various target groups; consumers, business and government, for many different communication purposes; transactional, transpromo, marketing, security and archiving.

An important mandate from member posts requires IPC to research, understand and share learning and developments relating to key industry and business trends affecting all postal operators. With that in mind, the IPC Board requested IPC to benchmark developments in electronic innovations.

IPC in 2010 will analyse the scope and range of electronic services being developed by our members with the aim of classifying services and assessing how to integrate these in line with changing communication needs. IPC will hold a Senior Executive Forum on Innovation for Postal Electronic Products on 22-23 September 2010.

¹⁷ Source: <http://webwereld.nl/internationaal-nieuws/61852/report--hacker-broke-into-twitter-e-mail-with-help-from-hotmail.html>



ABOUT THIS PUBLICATION

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