

The postal services industry review

[Business](#), [Industries](#)



The great heritage of mail dissemination dates back to 2400BC during the reign of King Pharaoh where courier was used for the dispatch of the king's decrees. However, according to records published by the Universal Postal Union (Universal Postal Union, 2010), an organized courier service came to play much later in Egypt. Similarly, records show that across Asia, Europe, United States including the Middle East, organized methods of mail dissemination had been adopted far back as between 1700BC-20AD which eventually evolved into structured postal systems (Pierre, 2002).

The postal services enjoyed government monopoly as they were all established by the leadership of the various empires and provinces but as time passed, private players were allowed to get involved in shipping mails across regions which eventually evolved as global brands (Roger, 2013). According to a study (Sund, 2008), a prime stimulant of change which has led to innovation in the postal industry is customer demand. Continually improving products and services to achieve optimization is extremely needful as the business landscape is engulfed by keen competition among postal service providers. According to Shailendra K. W (2013), customers do not just buy products and services, they are looking for the benefits these brings them and how conveniently they meet their needs. The new paradigm for post is to define itself through offered benefits.

The Internet has enabled new business models that have disrupted and even destroyed incumbent models (Atkinson, 2013). In light of these dynamics, business innovation through deliberate planning is increasingly required to keep up with the momentum of change in key areas namely: Operations, productofferings, Synergy of Information Technology (IT) into processes, Last

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mile delivery systems, transportation logistics and carbon footprint, changemanagement, business to customer relationship, Post outlet configuration (Ericsson, 2013). The Director General of the Universal Postal Union International Bureau, Bishar (Universal Postal Union, 2014) explained that for postal reform to succeed, the development agenda must include an evidence-based postal policy. Further to postal policy, in his description, regulatory solution approaches in industrialized countries cannot be automatically applied to developing countries using the idea that no “one size fits all” (Universal Postal Union, 2014).

Accordingly, to succeed in the current transformation agenda, decision and policy makers in Africa require economic intelligence tools and applications built on a modern data analytics framework so as to seize tomorrow’s opportunities (Ericsson, 2013). It is essential postal stakeholders have a broad understanding of industry evolution to effectively make decisions which are capable of directing the rudder towards higher positions without sinking the organization (Universal Postal Union, 2014). Laseinde & Mpofu, (2015) highlight that the declining demand for postal mail service somewhat attributed to technological changes call for proactive reengineering approaches for sustainability and continual relevance of the postal mail sector in a rapid changing economy.

According to publication by Accenture (2012), human capital which is a component of management capability, is the most important element of transformational change. People are the key enablers to innovation; they innovate, develop and sustain the much needed change. The publication

further mentioned the following as key aspects of transformation change; process transformation, technology, governance and people . Augier and Teece, (2009) highlight managerial discretion in orchestrating necessary responses to technological and market changes. Teece continues this line of reasoning by stressing the role of individual executives in the dynamic capabilities framework creative managerial and entrepreneurial acts (creating new markets) that are, by their nature, strategic” (2012: 1395-1397).

Product and service differentiation is a distinguishing factor capable of revolutionizing the post and keeping it ahead of its peers. According to Sibio (2013), Innovation is happening at all times. Innovation serves to sustain existing products more often such as adding web based mail tracking for mail items. Sund (2013) emphasized that diversification seems to be the rule and no more an exception to remain relevant in the current postal system. The global postal environment continues to change dramatically and calls for Postal Corporations to adapt to the rapid economic and social changes to keep pace with the technological developments. According to Nielson and Winiarczyk (2010), the new technology driven information society has brought a host of new ways to communicate and do business, such as e-mail, video-conferencing and e-commerce. This is a sign that the increasing demand for faster, cheaper, and more flexible communications services calls for courier operators and the other players in the industry to continually rethink their methods for reaching and keeping today’s communications customer (Sussex, 2008). Firms need to accumulate resources and competences, which allow them to have a more developed technological

capability than their competitors. Accordingly, they argue that firms need to focus on learning process to obtain competitive advantage in the market. For Sirmon, Hitt and Ireland (2007), firms' ability to leveraging relates to its " capability to create value for customers and wealth for owners".

According to Shailendra K. W (2013), the public has lost confidence in some postal systems while public trust in some posts is on the increase and from the study, all the posts gaining public confidence are perceived to have embraced technology in optimizing postal operations and processes. Technological capability relates to absorption and transformation of a technology as a way of reaching higher levels of technical-economic efficiency (Zawislak, et. al., 2012; Ruffoni, et. al., 2012). Many authors link technological capability to firm knowledge Garcia-Muiña and Navas-López, 2007; Jin and Von Zedtwitz, 2008). Calantone, Cavusgil and Zhao (2002), say that learning leads a firm to innovate, which affects its performance.

A self-supporting government enterprise, the U. S. Postal Service is the only delivery service that reaches every address in the nation: 152 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With more than 31, 000 retail locations and the most frequently visited website in the federal government, usps. com, the Postal Service has annual revenue of more than \$65 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U. S. Postal Service would rank 42nd in the 2012 Fortune 500. (United States Postal Service, 2013). However, according to Postal

Technology International (2014), the US Postal and Express Courier Market has been experiencing a drop in first-class mail deliveries from 6 billion pieces to 170. 6 million pieces in the recent past. To respond to these issues, the US Postal administration has tried to come up with regulatory reforms, internal restructuring, increased use of technology and embracing a faster and efficient delivery mail service- the Courier service (Postal Technology International, 2014).

The Nigerian Postal Service, abbreviated as Nipostis a government-owned and operated corporation, is the Nigerian postal administration responsible for providing postal services in Nigeria. It has more than 20, 000 employees and runs more than 5, 000 post offices. The courier sector in Nigeria has been seen as one with great potentials which, if properly harnessed is capable of making more profits and contribute to creation of more jobs within the country (Moller, Nielsen, Okholm and Winiarczyk, 2010). According to National Bureau of Statistics (2008), the total number of mail items handled by NIPOST fell from its benchmark of 57, 718, 129 in 2004 to average between 51, 151, 382 and 51, 820, 124 in 2005 and 2006 respectively.

In Kenya, the Postal Corporation of Kenya (PCK) is owned by the Government of Kenya. It controls the postal services industry and is protected in the distribution of letters and courier service by being granted the privilege of the market tariffs (SBO Report, 2008). PCK was formerly part of Kenya Post & Telecommunication Corporation (KPTC), which was split into Posta, the Communication Commission of Kenya (CCK) and Telkom Kenya in 1999. PCK

therefore became the official universal service provider for mail in Kenya and registered membership to the Universal Postal Union (UPU) which has a membership of 191 countries. The postal Statistics (2007) indicate that PCK operates a network of sixty one head post offices, four hundred and eighteen departmental offices and three hundred ninety two sub post offices. It has 388281 private letter boxes, 1014 private letter bags 1134 private letter posting bags 1356 public counter positions, 312 stamp vending machines and 4061 stamp vending licenses (CCK, 2009).

The PCK's operation was centred on the conveyance of handwritten mails throughout the country. However, with liberalization, and as new technology was adopted, gradually, the Post Office found itself in the competitive market (Consumer Postal Council, 2009). In the postal and courier sub sector, the volume of letters posted locally dropped by 8 per cent to stand at 15. 8 million letters down from 17. 2 million letters posted in the previous quarter. International outgoing letters dropped during the period under review to stand at 1. 9 million letters from the previous quarter's 2. 0 million letters. See figure 1 below. It is notable that there has been a continued decline in performance from 2007 to 2016 as shown by the figures above.

According to Milewa (2010), the competitive strategies adopted by PCK to respond to increased competition included; introducing new products and services, offering high quality services, use of latest information technology, regular market surveys for customer needs and keeping prices lower than competitors. Study by Kambara (2013) also indicates that there is need for PCK to strategize so that it performs effectively for it to out beat competition.

This has led it to formulate and adopt strategies that should result in superior performance for the firm and ensure survival in the dynamic environment. It also indicates the liberalization of the postal market to allow entry of new competition into the market as the main reason as to why PCK ought to reinvent itself. In response to the changes in the market, PCK has had to focus on its capabilities and core competencies in order to achieve competitive advantage and survival.

Njogu (2007), Juma (2007), Naminda (2004), Muhindi (2007), Mwarey (2008), Munyoki (2007), Mwenda (2007), and Ongaro (2004) are among studies that sought to establish strategic responses to competition and performance by organizations in Kenya particularly with a focus on the mail sub-sector.

History is littered with great companies like Nokia that failed to move as the landscapes around them changed (Ahmed, 2013). They hunkered down in the base camps of their traditional strategies as their formerly high peaks collapsed, and since they had not adequately explored the landscapes around them, they didn't know where to go. By fashioning an evolving population of strategies, managers can improve the odds that they will avoid the strategic death valleys and enjoy the rewards found on the strategic peaks (Gregory & Pemberton, 2011).

In this age of intense international competition, enterprises depend on their organizational capabilities to gain competitive advantage in global markets (Teece, 2009). Organizational capabilities have vital consequences on business performance to acquire sustainable competitive advantage. Given the importance of competition, scholars have focused on the identification of

the most successful competitive strategies that firms pursue, in order to produce super normal profits (Bowman & Toms, 2010; Ormananidhi & Stringa, 2008). The direct effect of a firm's capability on its performance has been the topic of several studies (Deitz, Morgan, Richey, & Tokman, 2010, Lee & S. Lee, 2008). Research in this domain has generally confirmed a positive relationship between organizational capabilities and performance (Pertusa-Ortega, Molina-Azorín, & Claver-Cortés, 2009). The researcher in this study will seek to find out the influence of organizational capabilities on market performance of PCK in the Kenyan western region. A descriptive survey design will be utilized across twelve selected branches of the 50 branches within western Kenya region where questionnaires will be administered to five sectional heads (the respondents) from each branch that will be selected.