

GLOBAL POSTAL NETWORK - A TRADE FACILITATOR FOR THE SMALL AND MEDIUM ENTERPRISES FOR ENTERING THE GLOBAL MARKET

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Abstract

This article will explain what the challenges are in the global postal network (GPN). GPN play a significant role in the global supply chain and try to fulfill the needs of SMEs while entering foreign markets. Posts help to facilitate international trade to deliver parcels, provide financial services etc. The few examples will be mentioned how the post can help to facilitate business for SMEs. Some innovative ideas will be presented how the national posts are trying to support especially e-business not only on the local market but also abroad.

Keywords: small and medium enterprises, global postal chain, global supply chain, barriers

1. Introduction

Small and Medium Enterprises create 99% of the world's economic enterprises (CalinMirea, 2006) SMEs are a key component in the economy. According to the OECD's Centre for Entrepreneurship - SMEs and Local Development, SMEs "are significant contributors to the global economy accounting for approximately 50% of local and national GDP, 30% of export and 10% of FDI." (oecd.org, 2012)

SMEs play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. In the European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent almost 99% of all enterprises. (SME User Guide, 2012)

Günter Verheugen defines SMEs as follows: „Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment. The new SME definition, which entered into force on 1 January 2005, represents a major step towards an improved

business environment for SMEs and aims at promoting entrepreneurship, investments and growth. This definition has been elaborated after broad consultations with the stakeholders involved which proves that listening to SMEs is a key towards the successful implementation of the Lisbon goals“.

"SME" stands for small and medium-sized enterprises – as defined in EU law: EU recommendation 2003/361. The main factors determining whether a company is an SME are:

1. Number of employees and
2. Either turnover or balance sheet total.

Table.1: Categorization of SMEs - European Commission, 2003

	Employees	Turnover	Balance Sheet Total
Medium-sized	< 250	≤ € 50 mil.	≤ € 43 mil.
Small	< 50	≤ € 10 mil.	≤ € 10 mil.
Micro	< 10	≤ € 2 mil.	≤ € 2 mil.

Source: Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (notified under document No. C (2003/1422), (2003/361/EC)

These ceilings apply to the figures for individual firms only. A firm that is part of larger grouping may need to include employee/turnover/balance sheet data from that grouping too.

2. Global Postal Chain as part of Global Supply Chain

SMEs are having difficulties when it comes to selling their products and services abroad. It depends whether the firms are located in developed, developing or least developed countries. There are trans-border transactions and several difficulties how to gain access to the existing supply chain, how to choose proper trade infrastructures and finally how to deal with lack of financial infrastructures. This article will explain what the challenges are in the global postal network (GPN). GPN play a significant role in the global supply chain and try to fulfill the needs of SMEs while entering foreign markets. Posts help to facilitate international trade to deliver parcels, provide financial services.

On the one hand, there are some obstacles for SMEs such as trans-border trade, doubts about the ability to get paid for and to settle possible disputes about the services or goods they offer. On the other hand there is a whole category of SMEs, which do not even have the opportunity to start trans-border trade because of not developed infrastructure (Donohoe and Boillat, 2012).

In November 2006, OECD and APEC organized a conference called „Removing Barriers to SME Access to International Markets“. Among the contributors there was presented a worldwide survey, based on the responses of 978 small and medium enterprises. There were identified top 10 barriers, which are most common while SMEs company is entering foreign market (Donohoe and Boillat, 2012).

Table.2: Top 10 barriers, which are most common for SMEs while entering global market

1. Shortage of working capital to finance exports	6. Lack of managerial time to deal with internationalization
2. Identifying foreign business opportunities	7. Inadequate quantity of and/or untrained personnel for internationalization
3. Limited information to locate/analyze markets	8. Difficulty in matching competitors' prices
4. Inability to contact potential overseas customers	9. Lack of home government assistance/incentives
5. Obtaining reliable foreign representation	10. Excessive transportation/insurance costs.

Source: OECD-APEC Keynote Paper on Removing Barriers to SME Access to International Markets, Executive Summary. APEC#207-SM-04.2, 6-8, 2006 Athens, Greece

It will be mentioned below how the global postal network, considered as a global supply chain can help SMEs all over the world overcome at least something from these obstacles. With globalization and offshore sourcing, global supply chain management is becoming more and more important for businesses. Global supply chain management involves a company's worldwide interests and suppliers rather than simply a local or national orientation.

Almost all definitions of global supply chain contain the idea of a flow(of products, information, materials, finances, know-how, etc.) that goes from supplier to manufacturer to wholesaler to retailer to customer, with or without some of the intermediaries. Postal network is considered to be global supply chain (GSC).

The UPU's vision states: "The postal sector is seen as an essential component of the global economy." The global postal supply chain must also be compatible with e-commerce (Doha Postal Strategy 2013–2016, 2012).



Figure. 1: Global Postal Chain – international shipment

Source: [<http://us.dhlglobalmail.com/expedited-mail-process.aspx>]

GSC provided by the Posts is focused on the beginning and the end of any supply chain. It connects the customer to the other links of the supply chain. Development of e-commerce tends to reduce the links and improve the connectivity in the chain. There is thousands of retail outlets located all around the world. The postal network allows them to send goods to any point in the world. This network also enables dissatisfied customers to return delivered goods to the supplier. Returns processing is one of the most significant inhibitors of foreign trade. Successful return of delivered goods is noticeable inhibitor of cross-border e-commerce. Posts provide a wide range of e-payment, which facilitate the connection of the different segments of the global supply chain.

The Universal Postal Union (UPU) is international agency, which is responsible for the worldwide postal sector. Posts provide to their customers a local access to a global supply chain. Local SMEs can serve a global market. SMEs will also have the opportunity to have a local contact in case the problem arises.

„High level contacts between the UPU and organizations such as International Air Transport Association (IATA) and the World Customs Organizations (WCO) guarantee that, once a product is given to the Posts, it will be seamlessly delivered on an international scale, respecting the regulations and obligations of these global governing bodies (Doha Postal Strategy 2013–2016, 2012).“

This cooperation between these different international organizations makes the postal sector to be a successful part of the GSC. Quality is proved by selecting a provider that can manage local pickup, manage delivery by ground/air/sea transportation, customs clearance on either end of the shipment.

Competitive advantage is to provide track and trace information about the location and status of the delivery. According the UPU security and trust is one of the key characteristics of the postal service in GSC. There are three dimensions of the postal network: physical, financial and electronic. All of them provide intense infrastructure for partnerships to develop global commerce.

For example, in June 2006 the United States Postal Services (USPS) signed a three-year contract to the specialized transportation and logistics company UPS to transport primarily First Class and Priority Mail each week by plane to and from 98 U.S. cities. This agreement between two “friendly competitors” was expected to help USPS fulfill delivery more effectively while at the same time generating revenue of more than \$100 Million a year, based on estimates (Campanelli, 2006).

The Posts can be a reliable partner for joint ventures. It can be learnt from this successful cooperation how to provide the most complete solution to their business customers. UPS and USPS joined their strengths to fulfill the customer needs.

3. How posts as a part of GSC can help to facilitate business for SMEs worldwide

The few examples will be mentioned how the post can help to facilitate business for SMEs. Some innovative ideas will be presented how the national posts are trying to support especially e-business not only on the local market but also abroad. Innovation and technology are core postal capabilities that help to confirm its position as a trusted and accessible GSC so it could be a strong and competitive advantage in the future. There are for example a profitable Direct Mail campaigns that are valuable addition to any SMEs.

3.1 Brazil

CorreiosNet Shopping is a complex e-shopping solution for online selling in Brazil which includes: online store, payments, delivery and returns service. The merchants can use the CorreiosNet to sell their goods or may run their own shop that will be advertised and recommended on the CorreiosNet webpage. The platform hosts more than 500 shops and another are currently being added. There was developed a trust mark “delivered by Correios” as a quality of delivery provided (Correios.com.br, 2012).

3.2 Singapore

SingPost constantly thinks outside of the box. Some innovative solutions introduced include the *Post-a-Card* mobile application, a service that converts a sender’s selected photo into a physical postcard and delivered to anywhere in the world; *ePAC*, a faster and more affordable shipping service to United States with enhanced tracking features for eBay Singapore sellers; *SmartPac*, a local postage-paid delivery solution catering to local online retailers. SingPost is also focused on solutions for small- and medium-sized enterprises (SMEs) to enable them to better manage distribution costs while expanding their business. For example *SpeedpostSaverPac Prepaid*, which is a simplified prepaid shipping solution that helps SMEs and retail customers save up to 33% in shipping costs (Singapore Post, 2012).

3.3 Switzerland

Swiss Post in Switzerland has solution of its logistics division for fulfilling the needs of their customer. Customers can shop online in the supermarket www.leshop.ch. They can receive fresh products and goods directly and they are directly delivered to their door. Swiss Post’s courier assures next-day delivery to the recipient.

3.4 Canada and US

The main idea of Canada Post's BorderFree project was to open the Canadian markets for US online merchants. Canadian online shoppers have difficulties to buy items online on US companies' websites. There were several different kinds of additional costs that were not clear at the time of shopping such as taxes, currency exchange rate, and duties... These costs were added to the online price that was not final at the time of purchase. Canada Post created a project which helped to the Canadian customer to know the exact price at the time of purchase and which helped to US retailers to send parcels to Canada. US companies can be part of Borderfree with a product which allows them to install Canadian section on their website. This section calculates cost for the product which is shipped to Canada and so customers know exactly how much they are going to pay online on a US website. The US retailers ship goods only to a US "hub". From this hub all packages are processed by Canadian Post and are delivered to Canadian customers. Important result of this project was remarkable increase in the volume of packages between US and Canada. Finally, US retailers do not need to change anything in their logistics because Canada Post takes charge of transport to Canada and charge of everything else as well (Desimone, 2012).

3.5 Slovakia

Also in 2008 Slovak Post has signed an exclusive contract for delivery of express shipments abroad by American UPS Worldwide Forwarding, Inc.. Working with UPS delivers comprehensive customer service; reduce the average time shipments, but also the gradual increase of the volumes of express shipments abroad.

The Posts can be a reliable partner for joint ventures. It can be learnt from this successful cooperation how to provide the most complete solution to their business customers. As an example UPS and USPS joined their strengths to fulfill the customer needs.

4. Conclusion

All these examples are representation how the postal network as a part of global supplies chain, which helps to facilitate commerce for SMEs. Due to the increasing globalization of trade, SMEs are seeking security, accessibility and end to end services. All of this should be provided to SMEs segment so they can take an advantage of delivery service to be even more competitive on the global market. Importance of international cooperation is crucial in the global postal network. Cooperation between postal competitors could be beneficial for both parties who agreed together to achieve the goal.

5. Acknowledgements

- KEGA-053ŽU-4/2013 - Skvalitnenie a prepojeniekľúčovýchpredmetovštudijného programuElektronickýobchod a manažment
- IMTS 26110230083 - Kvalitavzdelávania a rozvojlľudskýchzdrojovakopilierevedomostnej spoločnosti na Fakulte PEDAS Žilinskej univerzity v Žiline
- VEGA 1/0421/12 - Modelovanie difúzie znalostí v podnikových hodnotových reťazoch

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