

E-COMMERCE AND GLOBAL POSTAL NETWORK -OPPORTUNITIES FOR SMALL AND MEDIUM ENTERPRISES

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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. Postal operators with their networks help to facilitate international trade to deliver parcels, packages, partnering with express, courier services embracing mobile and online technologies, provide financial services etc. The few examples will be mentioned how the post can help to facilitate business for SMEs, because GPN is an integral part of the overall e-commerce today. 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, E-commerce

INTRODUCTION

Small and Medium Enterprises create 99% of the world's economic enterprises (Calin Mirea, 2006) and 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, 2013)

SMEs play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. Between 2003 and 2010 the number of enterprises in the European economy with less than 250 persons employed grew by nearly 11% to reach nearly 21 million and the number of people employed by SMEs increased by 7.5 million (around 6%). At the same time, the value of the real turnover of SMEs – turnover at constant (2000) prices - increased by 19.5 %, while value - added, again at constant prices, increased by 13.0%. In 2010, SMEs are estimated to have accounted for 99.8% of the total number of enterprises across Europe, 66.9% of employment, 57% of turnover and 58% of value – added.

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.

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.

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

Global Postal Chain - a 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 cross-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 fulfil the needs of SMEs while entering foreign markets. Posts help to facilitate international trade to deliver parcels and provide financial services. On the one hand, there are some obstacles for SMEs such as cross-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 cross-border trade because of not developed infrastructure (Donohoe, P. and Boillat, M., 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, P. and Boillat, M., 2012).

Table 2. Top 10, the most common barriers for SMEs while entering global market (APEC, 2006)

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/analyse 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.

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 (UPU, 2012).

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.

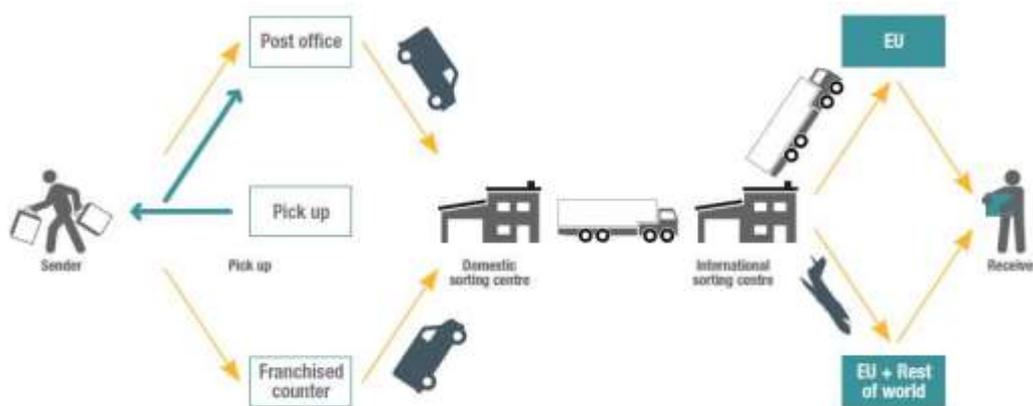


Figure 1.
Global Postal Chain – international shipment (IPC, 2013)

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.

To boost overall 'quality' (the reliability, speed and tracking) of cross-border e-commerce, postal operators have developed a number of solutions, including the E-Parcel Group (EPG) and EMS (an international postal Express Mail Service, for documents and merchandise, offered by postal operators of the UPU). This network of postal operators attains high delivery performance standards through innovative initiatives, such as the track-and-trace system and continual monitoring to assess performance outcomes against agreed targets.

„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 (UPU, 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 M., 2006).

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 UPS and Slovak or Post UPS and USPS joined their strengths to fulfill the customer needs.

Global Postal Network as a part of GSC - fundamentally supports business for SMEs

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.

European postal operators are working to support businesses and this is particularly relevant for SMEs looking to capitalize on e-commerce development.

- In France, Le Groupe La Poste offers Box e-commerce aimed at assisting SMEs in building a website quickly and easily to begin showcasing their products and services online (IPC, 2013).
- Royal Mail, in partnership with industry leading providers, offers Simple Ways to Grow, to offer discounted services to expanding businesses, including SMEs moving into e-commerce. They can easily buy as one package an e-commerce website, discounts on delivery, marketing data and email and postal advertising (IPC, 2013).

- A lot of Nordic customers are buying products online more frequently. PostNord has therefore established a parcel service – MyPack – that allows SMEs to send parcels to consumers within the entire Nordic region as easily as they do domestically (IPC, 2013).
- 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 (Donohoe, P. and Boillat, M., 2012).

These trends are typical of the whole postal world.

- CorreiosNet Shopping is a complex e-shopping solution for online selling in Brazil that 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, 2013).
- 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 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, 2013).

Nowadays research by Royal Mail indicates that customers are becoming more demanding not just about what they order, but how the order is shipped: (IPC, 2013)

- 80% of customers cite convenience as their primary reason for shopping online,
- 75% said the following favorable delivery factors would make them continue or increase their usage of an e-retailer:
 - knowing which company would be responsible for delivering,
 - clear information about pricing,
 - flexible delivery options.
- 90% would be more likely to shop again with an e-retailer if they are happy with the delivery of their goods,
- 80% prefer to receive updates at every stage of the delivery process.

We can look, with the expansion of e-commerce; business with private customers is expected to continue growing. Current estimates show that every fourth parcel results from Internet retailing. Returns management is also becoming increasingly important as a result of the consumer-goods service provided to private customers. Another opportunity for postal operators how to participate in GSC is the implementation of new technologies that contribute to improve the comfort of the final customer. The priority is offer services such as “preferred day” and “preferred place”.

The goods bought in e-commerce can be distributed by automated Paketbox/Packstations (Parcel locker Easypack 24/7). It is a new method of mail delivery with a lot of benefits for postal providers, final customers and also for e-commerce providers:

- It's easy, affordable and quick solution whose availability is 24 hours a day, seven days a week without any waiting.
- The costs of the last mile fall as well. From a statistical perspective, trips to private customers are very expensive. Private customers live farther apart than commercial customers, whose postal addresses are concentrated in downtown areas or in industrial parks. As a result, fewer deliveries per time unit are possible for private customers than for commercial customers or even Paketbox.

For example in Germany, customers can choose to send and collect parcels 24/7 from one of approximately 2,500 automated Deutsche Post Packstations and receive SMS / email notification. About 90% of Germans can reach a Packstation in 10 minutes.

A number of other operators have developed similar automated postal pick-up or more and more drop off solutions, including bpost, Cyprus Post, PostNord (Denmark), Eesti Post and Le Groupe La Poste. In Slovakia it is In Time logistics by InPost, on the Polish market - InPostas the biggest independent nationwide postal service provider.

All our 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.

CONCLUSIONS

The postal network as a part of global supplies chain is supporting SMEs to create innovative solutions and to develop their own e-commerce offerings by online platforms and specific web portals and is committed to a business model which is able to help drive the cross-border growth. SMEs are seeking security, accessibility and reliability from end to end services. Their great opportunity is based on mutual cooperation with international partners or even competitors in the global postal chain. Cooperation between postal competitors could be beneficial for both parties who agreed together to achieve the goals and also for customer in the form of various benefits (offer new value-added services, on-line solutions as a quickly calculate cross-border postage prices, track and trace but as well delivery options, shorter time delivery etc.). Through these creative solutions, postal operators have a valuable role for SMEs in ensuring a positive shopping experience for consumers.

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