

Bringing Russia Post Into the 21st Century

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The perfect love affair is one which is conducted entirely by post, said Irish playwright George Bernard Shaw.

The rhythms of the world have changed somewhat, and today's digital romances are available anywhere, anytime and for less than the price of a postage stamp. But what is good for ordinary citizens is not necessarily good for the old postal monopolies.

Across the developed world, mail volumes have fallen steadily as people find all kinds of ways to communicate online. Even the primacy of physical legal documents is under threat with electronic documents and signatures actively promoted in many countries. E-commerce has boosted parcel deliveries, but these are frequently picked up by express companies like DHL and UPS, which are far more nimble, customer-oriented and technologically advanced than the lumbering government mail services. The Internet does not simply compete with the traditional postal services, it de facto annihilates them.

The United States is considering ending daily collections and next-day delivery at the U.S. Postal Service, once the world's most efficient. In Britain, large numbers of post offices have been closed, and thousands have been made redundant. Privatization, successfully undertaken by Deutsche Post in the 1990s, is an option, although the various benefits of being a state monopoly are decreasing. Whatever the corporate structure, many are in a permanent state of existential doubt.

The trend is less evident in emerging markets where broadband rollout has been more limited, and economic growth has delivered new customers, increased revenues and capital for operators.

Russia Post, along with Correios Brazil, is leading the way with greatly improved efficiency in mail delivery. Ranked ninth and 10th, respectively, in the Group of 20 ranking on organizational strengths, their capacity to meet the challenges of digital replacement is already superior to the Italian postal service.

But nobody should underestimate the tough challenges that Russia Post face in the 21st century. A few boom years cannot undo decades of underinvestment. In Russia, 90 percent of mail is still sorted by hand, compared with near-total automation in Germany. The routing of mail, whether sent from the North Caucasus or Vladivostok, via Moscow, creates a huge bottleneck. Russia Post should look to other large countries with low-density populations, like Canada or Australia, for fresh ideas on how to improve efficiency.

The key is diversification. In China and India, financial services already account for half of postal service revenues, giving them a key role in providing access for remote or disadvantaged communities to the rapidly expanding mainstream monetary system. Traditional postal service clearly can generate real economic value if the vast networks of post offices built in the last century can be turned to 21st-century advantage.

In Japan, South Korea and France, government mail-delivery providers are still among the most trusted of brands. It may be unthinkable for now, but the same could be true of Russian Post one day. Unlike Shaw with his romances, they will have to confront the realities of their customers' needs. It is no longer a matter of simply receiving and sending mail.

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