

POSTAL NEWS

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Apr 3, 2010

1. think outside the POSTBOX

The faithful postman has delivered letters down the generations but the digital world is cannibalising his daily rounds. SingPost, however, is finding dynamic ways to
By Lee Siew Hua, Senior Writer

SNAIL mail may be the ultimate sunset industry. Blame the missing teenage letter-writer who is permanently camped on Facebook. And the big telcos and banks urging us to transact online.

And what about the pervasive e-Government drive since 2000? Without buying a stamp or going near a postbox, Singaporeans can now file taxes and pay fines to the Government, the greatest e-convert of all.

With the Internet now king of all domains, our en masse defection to electronic mail is irreversible.

Even Singapore Post chairman Lim Ho Kee, 65, admits that he no longer sends greeting cards these days. In that, he behaves much like the average person who posts just six letters and cards a year - a rate that drops about 5 per cent every year.

So how can SingPost, mail carrier since the days of Raffles, save itself?

In a series of controversial moves, some rapped by the public, it is now rapidly reinventing itself to avert oblivion.

A listed company since May 2003, it now seeks to be a lifestyle retailer. It runs logistics operations and is buying up companies to expand into the rest of Asia.

As a clear sign of its intentions, last month it announced it was issuing bonds to raise \$200 million to pay for new investments and other expenses.

Says Mr Ng Hin Lee, 53, deputy group chief executive and acting group chief executive of SingPost: 'As part of our growth strategy, we have been actively exploring investment and business opportunities in Singapore and the region.'

This story of transformation to stay relevant is possible, he says, because of Singapore's dynamic business milieu.

'We are very lucky because Singapore is a business hub and there are a lot of opportunities despite e-substitution and mail decline,' he says.

Since 2003, SingPost has stepped up its drive to diversify all three of its operating divisions - logistics, retail and mail - and widen its menu of offerings.

SingPost's 2,700 staff were urged to move beyond its nearly two-century mail tradition and think outside the postbox.

One new idea they surfaced was DMrocket, launched in 2007. The Direct Mail one-stop service supports marketing campaigns of businesses, who get to choose from a menu that runs from address databases, printing and delivery to campaign analysis. Its biggest customers today are banks and retailers, with billings running into the millions. At the other end, for neighbourhood shops with tiny budgets, 10,000 mailers can be printed and delivered for as little as \$5,000.

'We do not sit there and wait for mail. But we create mail with customers,' says Mr Woo Keng Leong, 54, executive vice-president of mail business, the contemporary title for 'Postmaster General'.

There is also S3 or Self Storage Solutions, launched last year and meant for consumers and small businesses to stash their belongings or stockpiles. They choose from locker-size and room-size storage at SingPost's delivery base in Ayer Rajah. The service comes with 24-hour access and security. As extras, they can rent transportation and buy packing material for their belongings.

The company has also expanded vPOST (or Virtual Post Office), which began life as a no-frills online payment service in 1999. Now it sells online and shipping services for shoppers buying from American, European and Japanese websites.

And do not call SingPost staid.

Keen to burnish the brand's hip quotient, it hosted a vPOST-themed party for 200 bloggers in December 2008 at Marina Bay's DXO club. Merrymakers came garbed variously as comic book characters Vendetta Men, priests, old men, shopaholics and teachers - as they had been invited to dress according to the five letters of vPOST.

Price of creativity

To forge ahead in the fast-changing business environment, SingPost's remaking strategy relies hugely on this creative spirit.

But controversy has been a price of change. This was notably seen in the botched stunt when graffiti was splashed on mailboxes over the New Year weekend by a masked Inkman.

Still, SingPost indicated that it has little choice really. It has to be willing to play with image to capture the youth market, to protect the firm's future revenue sources.

Mr Ng says: 'Young people have more and more choices. They face an exciting future that brings together so much - work, education, social networks and lifestyle options switched on round the clock - and SingPost is transforming itself to be part of this new world.'

This has become urgent as its core customers are not only dwindling but also ageing.

Six years ago, there were 22 million annual visitors to its post offices and their automated cousins, SAM. The visits are down to 20 million now.

Almost half - up to 45 per cent - of its visitors are over 40 years old.

So SingPost embraced the idea of a viral campaign this year, when the Inkman spray-painted six mailboxes in Holland Village, near the Meritus Mandarin Hotel and other spots.

Alarmed citizens cried vandalism and called the police. SingPost 'fessed up. The postal pandemonium was to drum up publicity as a sponsor for the Youth Olympic Games. The idea was that sports and art - SingPost says the concept was 'street art' but the execution looked different - are relevant to youth.

What ensued: SingPost got publicity all right, but the wrong kind.

Upset Singaporeans sent photos of the postboxes to Stomp and wrote to The Straits Times' Forum Page, rapping SingPost for sending the wrong signal that vandalism was okay. The police said the stunt 'caused unnecessary public alarm and wasted valuable resources'. SingPost made a public apology.

On the episode, Professor Kai-Alexander Schlevogt, an expert on transformational leadership at the National University of Singapore Business School, says: 'It is commendable that SingPost tries hard to achieve innovation breakthroughs.

'But transformational leaders have to ensure that their message of change resonates with what I call the 'innovation abode'. This consists of diverse constituents, such as customers, suppliers, investors, academics, NGOs, journalists and government officials.

'Only through the accumulation of many 'credibility points', helmsmen gain the freedom to deviate significantly from firmly established group norms.

'Promoting graffiti, which many Western governments unfortunately condone, clearly is wrong. Leaders in Singapore need to stay true to what has made this island state successful.'

Looking back, chairman Mr Lim says SingPost has the 'trust' of Singaporeans but cannot take it for granted.

Mr Lim, a former chief executive of UBS East Asia and general manager of treasury at Overseas Union Bank, stands by its innovation mandate, saying: 'You can't tell people to be creative and not make mistakes. The only way not to make mistakes is to do nothing.

'We need to replace perhaps half of our revenue over the next 10 years. We won't be okay as an organisation if we don't make changes.'

He hopes staff will take reasoned risks, certainly, and adds: 'The last thing we want to do is to punish... then everybody gets the message that they cannot make mistakes.'

That is the old mindset, his acting group CEO Mr Ng adds.

No heads rolled after the Inkman episode, Mr Lim says, when asked to address speculation on that score. Yet, just after the Inkman struck over the New Year, chief executive Wilson Tan announced his resignation on Jan 4.

The press conference to explain the stunt was held on Jan 6. Mr Tan, who previously held management positions with regional responsibilities in Apple and Xerox Corp, was present.

Mr Lim seems caught between exasperation and bemusement as he replies: 'We are very transparent. It's just a coincidence. He was getting ready to pursue other opportunities. He did a good job. We are grateful for his services and wish him well.'

Mr Tan ends his 30-month tenure today and SingPost is still searching for his successor.

Besides the high-profile Inkman flop, an experiment with real estate services did not fully pan out either.

In October 2006, around the time of the last property frenzy, real estate transaction services for heartlanders were introduced at three post offices.

Listings of flats for sale and rental were published and distributed at post offices.

ERA Realty service staff were on the premises to help with transactions.

After six months, SingPost modified the unpopular service and switched to posting an inquiry hotline on the listings instead.

In touch with the nation

As a result, it has made SingPost think harder about how to better exploit its key advantages - its wide distribution network and database.

As Mr Lim points out, SingPost has more 'touchpoints' in Singapore than any other business. It reaches 1.1 million households and 300,000 commercial addresses. The total is 1.4 million touchpoints, including Pulau Ubin, to which postmen deliver daily.

'We have a relationship with every household,' says Mr Lim. 'That's more than any logistics firm.'

Since 2004, it has synchronised its islandwide network with its retail ambitions. For instance, buy an Akira TV set from a post office and SingPost will deliver it by courier to your home, if you wish, at no extra charge.

Its 62 post offices, of which it owns 26, are another 'touchpoint'. It leases space at its Tanglin branch to tenants like Friven & Co, Swiss Butchery and HSBC Bank. The Killiney outlet has the KPO Cafe Bar, a drinking hole that also serves all-day breakfasts.

The Alexandra branch has a creche; the Bukit Panjang Post Office is also expected to have a childcare tenant after renovation. SingPost is now working to 'repurpose' other venues like its Simpong Bedok branch.

At its post offices, customers who buy 26-cent stamps can also shop for stuffed toys, rice cookers, mini-fridges, irons, as well as a bewildering array of more than 200 services.

These include home loans, cash remittance services to 21 countries, personal loans, insurance, parking coupons, phone cards, extensions of social service passes and copies of death certificates.

Staff are now trained to cross-sell non-postal services, raising their productivity. They pick up sales techniques, learning to read body language to gauge a buyer's interest, for example. Vendors also pop by with product briefings on mobile phone plans and appliances.

Street expectations

The heightened sensitivity to productivity and overcoming SingPost's sombre image is probably most visible in mail operations.

Last year, it created A.M. Mail, which offers an earlier delivery time for urgent mail and arrives no later than 11am the next working day. Delivery to a letterbox costs \$2.60, and to the doorstep, \$3.90.

There is also a tighter watch on efficiency.

Six years ago, a postman delivered 2,781 pieces of mail a day. The figure has risen to 3,173 now. This 14 per cent rise is thanks to sorting technology, Mr Woo says.

Today, 591 postmen are able to cover the island. Six years ago, it was 734 - or about 25 per cent more.

With growing productivity and new products, mail - the mainstay - has defied the odds by becoming a new moneyspinner, accounting for 65 per cent of revenue for the first nine months of the current financial year, from April to December last year.

Logistics made up 27 per cent of revenue, while retail formed 8 per cent. Other high potential products are Direct Mail and the remittance business.

Mindful that technology has helped push up its productivity, SingPost acquired a 30 per cent stake in US-based postal technology firm Postea in May last year. Through it, it plans to develop new technology for postal and logistics industries globally.

Taking all this into account, analysts have looked at SingPost's innovations and commented favourably on the company's fortunes. A report in February by OCBC Research said results were above street expectations in the third quarter of the current financial year, from October to December last year. In that quarter, net profit rose 6.3 per cent year on year to \$38.9 million. Mail and logistics lifted revenue, with international mail a star.

Other research reports from UBS and CIMB also noted that SingPost is intent on a regional presence.

Through last year's acquisition of Quantum Solutions - a provider of mail and logistics services whose parent company was headquartered in the Netherlands - SingPost now has a footprint in 10 countries in the region, including Australia, India

and Japan.

Innovation and heritage

Even if the news is good, life is possibly never restful for SingPost.

The organisation, which began as a three-man shop under military administration in 1819, still navigates the cross-currents of new business models and old expectations every day.

Reflecting that constant tension between new and old, it won accolades for both innovation and heritage in 2008. It was ranked fifth in innovation in a Wall Street Journal survey of the 200 most admired companies in Singapore.

And to recognise its role in Singapore's philatelic heritage, it was given an award by the National Heritage Board the same year.

It is a constant balancing act between profits and social obligations, since reliable mail delivery is a public good, says chairman Mr Lim. 'We need profits to sustain our obligations,' he says.

There is also a lot of urgent work ahead as the company continues to grow revenue and confront mail decline.

'The fear we have is complacency,' says Mr Lim.

'In developed countries, there is a much larger decline of mail. Being conservative, we plan for the worst and hope for the best. It's quite irresponsible not to plan and innovate.'

But in moving so far beyond mail, SingPost knows it has pushed some customers outside their comfort zones.

Grouses include the priority queue for Immigration and Checkpoints Authority (ICA) e-services, which include extracts of birth certificates. SingPost has a processing fee of \$5, apart from ICA's \$30 charge.

Writing to The Straits Times' Forum Page, Mr Tan Tze Kiang said: 'While SingPost is no longer a government entity but a business, it should not be allowed to profit from these public services.'

The dedicated queue at some post offices was intended to create awareness of ICA e-services, for which there is a briefer wait. The separate line ends in May though e-services will continue at all post offices.

Another customer griped that the Killiney Post Office shares 'cramped' premises with a pub, the KPO Cafe Bar.

Other customers are more forgiving.

Mr P.C. Mohanan, 48, chief executive of an IT firm, often drops into the Simpang Bedok Post Office on company errands, like paying vehicle taxes.

He is pleased that SingPost offers such a diverse fleet of services. 'The counter staff proactively tell me about new services. SingPost is now a globally local brand,' he says proudly.

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2. 5 THINGS YOU CAN DO

SINGPOST uses its 62 post offices as storefronts for 200-plus services. Walk-in customers can:

1 Take out an HDB loan. United Overseas Bank started an express home loan service last year for HDB flat buyers. Flat-dwellers can also refinance their properties.

2 Remit salary abroad. Indonesian and Filipino domestic helpers can remit their salaries using a Cashome card, with no form-filling after the first transaction. The charges vary with partners; it's \$5 per transaction with the Philippine National Bank.

3 Buy Jetstar Asia tickets. The airline has, since 2006, sold tickets to holiday spots like Bangkok at about 20 post offices, latching on to SingPost's islandwide network. Customers pay by cash, cashcard, Nets or credit card.

4 Pawn jewellery. SpeedCash is the modern version of the pawnbroker's shop, minus high barred windows. Gold and branded watches are handed over for instant cash. Banking on its 'safe' reputation, SingPost introduced this service in the heartlands in 2004.

5 Buy rice cooker, beef and more. Pick up a no-frills cooker, organic apples or Swiss Butchery aged Angus beef, in time for dinner. Or even sign up for yoga classes at the Tanglin Post Office, now a two-storey fancy lifestyle mall of 18,000 sq ft. Not done with shopping? There's Shop@Post for online purchases of coffee, software and Tiger Year stamps.

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3. 5 UNUSUAL SINGPOST DEEDS

1 Return lost wallets. Every month, SingPost returns 100 to 200 wallets and personal items lost islandwide. Good Samaritans drop these into postboxes. SingPost then sends passports to the embassies, ez-link cards to TransitLink, bank cards to the banks, and identity cards to the Immigration and Checkpoints Authority. If it is a wallet and the owner can be identified, SingPost tries to deliver it, free of charge.

2 A stamped coconut? No problem. Postmen take strange mail in their stride. Some have sent coconuts affixed with stamps to Malaysia. Recently, an inflated balloon was retrieved from a mailbox and sent on, as were two Doraemon soft toys (above) stapled to an envelope plastered with stamps.

3 Library helper. SingPost is contracted to sort 20,000 library books every day. It spied a business opportunity in 2000 when the National Library Board decided that borrowers could return books at any branch. Using magazine sorting machines to organise books by category and library, SingPost then returns them to 24 libraries, all within 24 hours. The sorting takes place at its Mail Processing Centre in Eunos, during postal off-peak hours from early morning to 1pm.

4 Daily bread. The company uses its islandwide network of 1.4 million mailing addresses to do good too. Since June 2008, it has partnered the Food From The Heart charity organisation to collect unsold bread and pastries from hotels and bakeries four

times a week. SingPost then delivers the food to self-collection centres set up for needy families by grassroots leaders.

5 Housewives on wheels. SingPost first hired eight housewives in 1996 for a back-to-work scheme pioneered with grassroots leaders. This is now a corps of 400 postwomen in uniform, all able to cycle and read addresses in English. Paid a piece rate, each woman works four or five hours a day and takes home about \$1,000 a month. Some are married to postmen.

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4. Others that have moved on

- AUSTRALIA POST has grown into a diversified company over the last 15 years, with services in warehousing, car insurance and personal banking. Half of its revenue is derived from these newer activities.
- THE HONG KONG POST OFFICE converted itself into a trading fund to attract new financing. Though not as extensive as SingPost, its fleet of services is diverse and includes remittances, mobile phone bill payments and direct mail.
- SWISS POST created a customised newspaper, Personal News, which draws articles from major newspapers like the International Herald Tribune and is individually tailored to each reader's interests. The bespoke paper, still in a trial phase, is printed in a souped-up mail-sorting facility and delivered in Zurich by 11am - via Swiss Post postmen, of course.

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