

# MARKETING RESEARCH ON POSTAL MARKET IN BULGARIA

The aim of the paper is to describe and analyse the general situation at the postal, courier and printing services market in Bulgaria. The analysis is focused on several major, systematically linked target groups and sectors, which considered in their entirety, give a clear view of the specifics and development trends in the market under review. Various aspects of the supply and demand for courier, postal and printing services, as well as the dynamics of the macroeconomic environment in Bulgaria are covered herein. The report also provides analysis of the legal framework and regulatory mechanisms in the postal and courier services in Bulgaria.

The body of the analysis presents summarised results from the survey of the opinions of certain target groups, directly and indirectly related to the development of the market of postal, courier and printing services in Bulgaria.

The technology of the analysis is complex and it is based both on survey of various types of strategic, analytical and legal documents and publications, and direct qualitative and quantitative research information gathering methods.

## II. METHODOLOGY OF THE SURVEY

### 1. GOAL AND OBJECTIVES OF THE SURVEY

**The main goal of the survey is to analyse the postal, courier and printing services market in Bulgaria.**

The specific objectives of the survey are:

- ❑ To gather and analyse information regarding the levels of main macroeconomic indicators of Bulgaria over a three-year period;
- ❑ To analyse the legal framework for postal and courier services in Bulgaria;
- ❑ To gather and analyse information on certain number of campaigns in sectors such as utility services, banks, insurance, large retail chains and other potential big / active users of postal and courier services;
- ❑ To gather and analyse information on the market and the main campaigns in the sector of postal and courier services – types of services offered, current situation and future expectations.

### 2. METHOD, SCOPE AND TARGET GROUPS

A combination of quantitative and qualitative methods, as well as analysis of documents and secondary data has been used for information gathering.

Target group	Method
Bulgarian Post s	In depth interview
Major courier companies	Direct standardised interview
Printing houses	Direct standardised interview

Utility companies, banks, insurance companies, trade chains	Desk research
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In addition to directly collected information, reports on the activity of the companies within the target groups, as well as data from the National Statistics Institute, BNB and other sources have been used for the objectives of the analysis, in compliance with the rules for information source identification. The table below presents the specific objectives and scope of each of the listed target groups.

Target group	Research topics	Sample
<b>Bulgarian Posts JSCo.</b>	<ul style="list-style-type: none"> <li>❖ Bulgarian postal market – current situation and development;</li> <li>❖ Territorial structure and staff ;</li> <li>❖ Type of services and volumes;</li> <li>❖ Competition</li> </ul>	1 representative of management of Bulgarian Posts JSCo.
<b>Major courier companies</b>	<ul style="list-style-type: none"> <li>❖ Bulgarian courier market – current situation and development;</li> <li>❖ Territorial structure and staff ;</li> <li>❖ History of the company</li> <li>❖ Type of services and volumes;</li> <li>❖ Competition</li> </ul>	10 major courier companies in Bulgaria
<b>Printing houses</b>	<ul style="list-style-type: none"> <li>❖ Bulgarian courier market – current situation and development;</li> <li>❖ Territorial structure and staff ;</li> <li>❖ History of the companies</li> <li>❖ Technological equipment;</li> <li>❖ Type of services and volumes;</li> <li>❖ Competition</li> </ul>	104 printing houses in Bulgaria
<b>Utility companies, banks, insurance companies, trade chains</b>	<ul style="list-style-type: none"> <li>❖ Number of companies</li> <li>❖ Market shares</li> <li>❖ Ownership</li> </ul>	<u>Sources:</u> <ul style="list-style-type: none"> <li>• Trade register</li> <li>• Yearly reports</li> <li>• National Statistical Institute</li> <li>• Reports of the Commission for regulation of communications</li> <li>• Bulgarian National Bank</li> <li>• Ministry of Economy, Energy and Tourism – official reports for energy sector development</li> <li>• Other public sources</li> </ul>

## SUMMARIZED DATA ON POSTAL MARKET IN BULGARIA AND MAIN STAKEHOLDERS

### Summary of postal market in Bulgaria for 2008-2009

	2008		2009	
	Number of items (mln)	Incomes (MEUR)	Number of items (mln)	Incomes (MEUR)
Total postal market	197	127	206	116
Reserved area	52.8	18.80	41.6	15.78
UPS out of reserved area (Items > 50 gr.)	27.25	16.38	26.52	14.5
Courier services	20.5	78.23	17.3	69.6
Hybrid mail	92.6	13.46	118.2	16.12
Money orders	3.85	0.13	2.8	1.3

### Volumes of UPS and NPS

	2009	
	Number of items (mln)	Incomes (MEUR)
UPS	68.12	27.61
NPS (incl. money orders)	138.8	88.37

### Market shares in total incomes per type of operators

Market shares in total postal services incomes 2009					
Courier operators only	Couriers & Hybrid operators	Hybrid operators only	Bulgarian Posts	Operators of universal service ("Ekont Express", "M&BM Express", "Tip-Top Courier")	Operators of postal money orders
43%	2%	2%	28%	25%	0.8%

### Summarized data on Bulgarian Posts Plc.

Bulgarian Post	2007	2008	2009	2010 f
<b>Postal Items</b>				
Volume < 50 g (x1000)	56 694	52 500	39 196	31 700
Volume > 50 g (x1000)	20 955	24 864	22 472	18 214
Average prices > 50 g	0.25			
Average prices < 50 g	0.35			
<b>Unaddressed Distribution</b>				
Volume of unaddressed distribution	8 119	11 319	19 959	77 500
price per 1000 pieces (20 - 50g)	15.61	13.11	12.92	9.61
<b>Hybrid Mail Services</b>				

Volume of Hybrid Mail Services (x1000)	2 734	7 728	14 292	12 547
Average price for Hybrid Mail Services (price for print/enveloping)	26.08	44.48	38.86	38.89
Average price for Hybrid Mail Services (price for distribution)	115.04	108.39	105.33	105.33
<b>Parcel</b>				
Volume of Parcels	1 113	920	799	668
Average price per Parcel (up to 2 kg)	1.70			
Total Turnover in MEUR	78, 429	84, 744	82,310	
EBIT in MEUR	5 ,488	1, 546	1,045	
Investments in MEUR	1,893	2 ,730	3,611	
Number of Full time employees	8 901	9 002	9 018	8 148
Number of Postmen/distributors (freelancers or full time employees)	2 420	2 420	2 611	3 620
Number of Post offices	2986	2981	2979	2981
Quality of distribution (domestic priority/non-priority)	D + 2 80% D + 3 95% / D+1 80% D+2 95%			

### Summarized data for providers of UPS

Name of provider	Ti Top Couriers	M&BM Express	Ekont express	Star Post	Bulgarian Posts
Ownership Structure	100% private; Bulgarian ownership	100% private; Bulgarian ownership	100% private; Bulgarian ownership	100% private; Bulgarian ownership	100% public, Bulgaria
Headquarters	Sofia	Sofia	Sofia	Sofia	Sofia
Central Warehouse	Sofia	Sofia	Sofia	Sofia	Sofia
Number of Depots (regional offices)	64	28	258	27	2 981
Number of vehicles	113	50	N/A	67	N/A
Number of Full Time Employees (FTE)	460	860	660	N/A	8 148
Number of Distributors	425 FTE	N/A	N/A	N/A	3 620
Volume of Parcels (postal items)	11 972 000	N/A	N/A	N/A	50 582 000
Volume of postal items < 50 gr	-	-	-	-	31 700 000
Volume of postal items >	804 000	N/A	N/A	N/A	18 214 000

50 gr					
Average price per postal items > 50 gr	0.45 euro for UPS	0,40 euro for UPS	0.77 euro for UPS	2.35 euro for postal items up to 0,2 kg. 3.12 euro per postal items between 0.2 kg – 0.5 kg.	0.25 euro
Average price per postal items < 50 gr	-	-	-	-	0.35 euro
Turnover in MEUR	4,604	6.45	30.108	3.211	82,310
EBIT in MEUR	0,157	N/A	N/A	N/A	1,045
Coverage in %	100%	>80%	100%	100%	100%
Market share (company's assessment)	7%	N/A	N/A	N/A	94% for letter items
Quality of distribution (domestic priority/non-priority)	D + 2 80% D + 3 95% / D+1 80% D+2 95%	D + 2 80% D + 3 95% / D+1 80% D+2 95%	D + 2 80% D + 3 95% / D+1 80% D+2 95%	D + 2 80% D + 3 95% / D+1 80% D+2 95%	D + 2 80% D + 3 95% / D+1 80% D+2 95%

## CONCLUSIONS

The full liberalization of the postal services market in Bulgaria is envisaged for 1 January 2011. The process of preparing for the full liberalization of the market is related with the establishment of a new regulatory framework, which, on the one hand, must guarantee the performance of the Universal Postal Service (UPS), delivering quality postal services to the clients, providing transparent and fully simplified distribution procedures, encouraging competition, and on the other hand – harmonizing it as fully as possible with those of the other European states.

In this situation, the development of the postal sector in Bulgaria is influenced, in addition to the legislative changes and the preparation to eliminate state monopoly over a reserved sector of UPS, by the international trends in relation with postal services and by the impact of the global financial and economic crisis.

One of the main trends characteristic of the postal markets in the leading European states in the last several years is the decrease of the volume of letter items and the penetration of new services based on internet technologies, such as the hybrid mail, virtual deliveries network, digital post-box, etc., which gradually replace the established postal services. Such a trend can be noticed on the Bulgarian postal services market as well. For the last years, the consumption of traditional postal services has decreased under the influence of the aggravated economic condition. This trend remained in 2009 as well, since we observe shrinkage in the consumption of all postal services on the national postal market, excluding the service “hybrid mail”.

The structure of postal services revenue has been preserved for the last years with no significant change. Traditionally, the biggest percentage of the postal market volume is established by the revenue from providing courier services domestically and abroad. For the last years, there is a trend of decreasing the percentage of revenue from the reserved sector services (domestic and international outgoing letter items up to 50 g). The proportion between the services used and items submitted by business and individual customers is different for NPS and UPS. The requirement to provide UPS continuously, within a specific working time, with a quality conforming to certain criteria at reasonable prices, establish UPS as a service dedicated to a larger extent to individual customers, compared to NPS. The total volume on the market decreased in 2009 as a result of the economic crisis. The only exception marked is hybrid services that increased its share in the total market. The respondents underline the enhanced requirements of the clients related to the quality of the services delivered.

The market of courier services in Bulgaria has a large development and growth potential – the branch representatives all agree on that. The main trends that are observed in the development of the courier market are – big influence of the market leaders on the provision of courier services; preserving the conquered market segment and strengthening the market positions; preserving the price policy; continuous increase of the number of operators on the courier services market. Almost all leading NPS operators are Bulgarian. This demonstrates that Bulgarian operators successfully compete with the acknowledged world brands. From a legal point of view, potential NPS operators have no significant obstacles, since the provision of NPS is based on a notification regime and it is not related with requirements for establishing a postal network on the territory of the whole country, coordination of prices, etc.

In conclusion, notwithstanding the economic drop, most of the leading operators are optimistic about the development of the NPS market. Those who hold big market share still remain stable and they are ready to react adequately to the negative short-term changes to the market. They will extend their product range and its quality, which could only have a positive effect on the economy as a whole.