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“Far ahead and beyond European Union liberalization policy:

The case of the postal services in Sweden”

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ABSTRACT

Title: Far ahead and beyond European Union liberalization policy: The case of the liberalization of the postal services in Sweden.

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European postal market has been challenged by changes in services that have questioned traditional postal service monopolies. The postal monopolies had evident lack of competitiveness especially regarding the service that was not customer-oriented. Customer was just regarded as recipient of pre-established forms of delivering services. Quality service models were directed to technical and operational capacity of the provider instead of customer needs. Therefore services were poor and unreliable. At the same time, productions were mainly manual resulting from the unavailability of more efficient technology automating processes and operations. Postal services were traditionally state monopolies which had no tradition of flexibility and independence toward changing demand and growing competition in the postal market. Couple with this, technology advances, shifts in customer preferences and diminution in physical delivery demand, active competition from logistic companies and increasing internationalization brought the European Commission to accelerate the process of a modernization of postal services in each member state. It was essential to make the postal service part of the circulation of goods and information within the open frontiers of the EU. The European Commission decided to liberalize gradually the postal sector of each member States establishing the deadline of 2011 and 2013 for a full liberalization of postal market of the 27 member states of European Union. Some Member states are still unwilling to open their markets to competition. This protectionist trend is excluding incumbents from using new portfolio of services, business opportunities, efficiency profitability and success. On the contrary to the more conservative countries, Sweden was a pioneer in this regard. Swedish has preceded the EU postal liberalization starting in 1993, before any other member State. Sweden abolished the postal monopoly before first EU directive was released and even before it became part of the European Union (1995). The importance of the Swedish case comes from the fact that (1) it is not ideological reasons that brought the Swedish state to liberalized, (2) the Swedish state, by preceding the EU, show that its own administration was able to deliver the analysis of the mail market that other administration in Europe were unable to deliver, (3) it

was also able to engage in the reform without waiting for the EU to give incitation to do so. It shows a pro-activity of the Swedish policy makers that renders the EU redundant since they act after the facts. (4) It also took the opportunity of the “first mover advantage” brought by the technological implementation of 1990s of internet for the whole Swedish population. As a result, it was the first country in the world to bring the liberalization to its postal market to introduce competition to services which, in other countries, are still controlled by national monopolies. Swedish postal services started to be a lucrative business after it puts aside protectionism and monopolistic practices replaced by more active services practices (Postal Affairs Department 2007). This dissertation examines the liberalization process of the Swedish postal sector and the business strategy that Swedish postal has developed to fortify its unique market position and raise organization opportunities.

The dissertation materials is based on the examination of several Swedish postal services annual reports, books on the liberalization process in the EU, studies, and other annual reports utilized to describe the overall liberalization and privatization process of postal service in the European Union. I reviewed how some EU member states have partially and fully liberalized its sector in different pace. This dissertation focused on Swedish liberalization process of the sector precisely because it was achieved even before Sweden became part of the European Union. As such we think that we will learn something about the realization from the Swedish administration that the privatization process of the Swedish postal services, Posten AB, was strongly needed in regard of other societal transformation. A study of Posten AB’s internal restructuring, business models, key resources and service networking restructuring created an independent public corporation. This thesis describes present and subsequent mergers and partnerships with customers, organizations, logistic companies and other stakeholders to increase and strengthen Posten’s position outside Swedish national boundaries. The dissertation proceeds to an analysis of competition and competitors faced by each Posten AB’s business division in a fully liberalized postal market. The innovation surplus value created by Posten the new portfolio of products and services is illustrated with real customer’s information available in electronic sources.

Posten AB business models and strategies have shown that liberalization and total competition in the market, far from being a menace to the postal sector, foster favorable circumstances for organizational, service and products development and created a competitive advantage for the Swedish postal sector. Posten is allowed, beside its public services duties to develop independent business strategy based on an analysis of market demands. Posten has converted the traditional postal operator into an organization oriented to create and fasten business opportunities and increase competition. Posten has produced real innovation in organizing in a new way its core activity of mail delivery. Posten brought investments, innovations, state-of-the-art technology and services and products improvements which resulted in sales increases, higher profitability and diversification of revenues sources. Thus Posten has bail the company out. However, Posten has sought to go further and became a world class company and a leader in new postal delivery service. Posten’s successful experience demonstrates to other

European postal services (and around the world) that overcoming actual challenges in postal market, not only demand to put aside protectionism but to embrace actively the liberalization of services, by organizing its place in the competition and by achieving restructuration oriented toward the ubiquitous internet technology and the accordingly renewed customers demands. The Swedish postal operators demonstrate that the issue is beyond being a survivor of market forces but materialize in the proactive self-organization of its own profitability and success.

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INTRODUCTION

Recently the European postal market went through significant transformations induced by technological change, European opening of frontiers, and its correlative market driving forces, all questioning the efficiency of the traditional postal service (Kenny 2006). The postal market within the European Union contributes 1% of the total of its overall economic operations. Postal market is an important source of employment (5 million employees) and incomes (73 billion Euros). It is also a large market that involves the management of 135 billion postal items each year (The European 2009; Postal Services 2008).

For many centuries, European states have entrusted their government with the role of collecting, classifying and distributing the mail (Geradin (ed.) 2002). The dispatch of mail items was totally controlled by a single stakeholder or postal provider who held a monopoly. The justification for the monopoly was that postal service was part of the coverage of the national territory by Royal administration often in relation to the establishment of tax systems throughout the territory. However as nations moved forward in their industrialization process, the argument supporting monopoly became an argument about the state legitimacy to provide a universal service. It implied that the state only guarantee a public service obligation based on the guarantee of the equal provision of the postal service. The state guaranteed same quality and price conditions to every habitant of the country (McGowan 2001). Thus the States stood behind the monopoly practice and conceded unique rights to other stakeholders to handle postal items without any competitor in the market (Geradin (ed.) 2002).

Overtime, postal provider and markets monopolies showed sign of inadequacies (Clermont 2002). Postal providers became ineffective and unreliable in which was nevertheless their core business. Postal providers did not understood and, therefore, adapt to the change in distribution, in quality and quantity, partly due to a lack of competition. First, service was not structured by customer needs and therefore insensitive to change in this sector. Second, service was inconsistent due to the discrepancy with customer needs. It implied network costs becoming increasingly high. Therefore Postal services reported monetary losses and unprofitability (Winkelmann et al. 2009; Clermont 2002). Along with the intrinsic deficiencies of national postal services, the postal market was facing serious challenges. Traditional Postal market was affronting technology advances and related changes in customer preferences. Diminution in physical delivery demand, active competition from logistic companies and increasing internationalization were rising (Posten AB 2008). In the Swedish context, it is the technology advances of its internet infrastructure that gave the possibility to mechanize processes and practices to improve the value chain of the mail provision. Internet also boosted distance commerce and electronic advertisement requiring effective, fast and reliable mail corresponding services. In

conjunction, customers became technology aware and their demand changed for more sophisticated services (Posten AB 2009a). Customers replaced regular delivery of letters and invoicing by electronic mail, internet, fax and cell phones. Before, all those transactions were handled by postal operators. Hence the demand for mail delivery was decreasing (Campbell et al. 2004). In the other hand logistic companies occasioned strong competition since they were expanding to other market in Europe or worldwide, not only increasing their customer base, but also fulfilling the new demand for electronic commerce where national boundaries were clearly irrelevant (Posten AB 2009a). In other words, internationalization was an unavoidable trend. Companies were crossing their national borders reaching globally. This augmented their original markets, and suggested mergers in transportation taking advantage of new business. Distribution and logistics companies arise and seize new products and services with state-of-the-art technology and profitability (McKeown, Guiro & Soudakov 2002).

In the light of this knowledge, European states were impelled to modernize the postal market to meet postal challenges. European States confronted the difficulty to transform the regular postal organization into a competitive, independent, customer-oriented postal business without detrimental to the universal service obligation (Clermont 2002). For this purpose, European Community¹ introduced a proposal to liberalize the European postal market. The European Community pursues to ensure the provision of the universal postal service, to improve the quality of service through competition and share basic business principles common between the European countries forming the EU. In addition some transformed the state-owned agencies in private companies being listed on the stock market (Winkelmann et al. 2009).

EU schema and timetable for liberalizing postal services was set to progressively reduce the weight and price of postal items that was reserved the traditional operators. The weight and price was reduced from 350 grams and five times the public tariff to 50g and two and a half times the price of the postal item. Member States have reformed their postal markets in different tempo. Some members have totally liberalized their postal markets such as United Kingdom, Germany, Netherland, Finland and Sweden. Some others such as Austria, Belgium and Poland have taken important steps to achieve liberalization in near future. It is planned the European postal market will be open to total competition in 2011 (Winkelmann et al. 2009; Directive 1997/67/EC; Postal Liberalization 2007).

Even when liberalization process has gained ground and made significant progress (Winkelmann et al. 2009), some Member States still oppose liberalization such as Italy, Greece, Hungary and Luxemburg

¹ The European Commission is “a politically independent collegial institution which embodies and defends the general interests of the European Union. It prepares and then implements the legislative instruments adopted by the Council and the European Parliament in connection with Community policies. It is responsible for planning and implementing common policies, executing the budget and managing Community programs. As "guardian of the Treaties", it also ensures that European law is applied” (Europa Glossary n.d.).

(Postal Liberalisation 2007) . Participants in the postal business refuse to make the transition to an open market due to anti-market ideologies, corporatist interests and protectionist reflex. Furthermore, they equated liberalization with facilities closures, layoffs, salary reductions and poor service with higher price (Winkelmann et al. 2009; Clermont 2002). However, the Swedish case of liberalization showed something different. Sweden was a pioneer in the world to liberalize its postal market because of technological advance, market strategy and customer's analysis. Sweden deregulates its market in 1993 and privatized its national services in 1994 to establish a corporation, Posten AB, with public capital. This happened before Sweden became part of European Union (1995) and that European Commission started liberalization process the same year (Crew, Kleindorfer & Campbell (eds.) 2009, Winkelmann et al. 2009).

The importance of the Swedish case lies in the fact that (1) The Swedish liberalization was based on commercial and economic principles and not on political ideologies; (2) Being a pioneer of postal liberalization made clear that Swedish government was skilled to conduct an analysis of the sector that no other member state of the EU was capable to accomplish; (3) Swedish government took anticipatory actions to open the market rather than waiting for EU policies. The Swedish pro-activity presents EU policies as redundant since they carry on the reform after Sweden did; (4) Sweden took advantage of the government technology policies of the 90's which implemented internet for the whole Swedish population, resulting in the greatest internet penetration in the Union (Grimelund et al. 2009). In 2009 89% of the Swedish population uses internet, around 6.1 million people (Statistics Sweden 2010).

The objective of this study is to provide an overview of the significance of full liberalization on the Swedish postal market and the review of the transformation process that Swedish postal services made to cope with market challenges. According to Bacon (2004) Postal operators are obliged to change their traditional business procedures and embrace liberalization. The change is vital to survive in a market characterized by increase of competition, technology developments, demands decreases and electronic communication. Bacon describes the transformation of Posten starting from a traditional postal operator and turning into a public company administrated under commercial principles. This analysis of Posten AB case and its extended experience of full liberalization might have served of example for European States.

The information obtained is based on secondary research based on reports, articles, European Commission reports, Acts, books, Postal companies' annual reports and newspapers. The thesis explains full liberalization of the Swedish and European postal sector. The later part of the thesis includes the steps taken by Posten to remodel its organization from a traditional national postal operator to a business-oriented corporation. The changing condition involves a later description of Posten activities under global competition. I review the procedure Posten follows to improve its

service network, holding partnerships and joint ventures with other companies to strengthen and increase its influence in Sweden and worldwide.

Posten took a remarkable step toward being an innovative actor in the business of distribution. In this thesis, I also explain how Posten aggregated value by creating new mail services integrating hybrid mail system combined with traditional means of mail distribution. Posten is pioneer in service innovation by integrating into its business models electronic messages with physical mail distribution. This innovation consists in increasing communication channels to the final customer such as e mail, mobile messages, SIM cards, and magnetic strip cards and videos messages. Hybrid mail created new possibilities from technology developments which Posten incorporated into its mail offer. In this way Posten could embrace customer's demand for technology service and fast shifting postal environment.

Posten is a clear case for still hesitating European member States to address the condition of a full liberalization of services. Posten case shows it is possible to compete with other services and companies without compromising universal service. Posten has proved that postal services are able to structure their activities under sound business principles and to be efficient, reliable, customer oriented and innovative. This in turn insures commercial success and perhaps the promise of future prosperity.

The Plan of the Thesis

This analysis is structured along three chapters and the conclusion. Chapter I outlines the overall evolution and deregulation of the European postal market. I include a general description of the postal service and traditional process. I review factors illustrating the process leading to full liberalization. Full liberalization was determined for 2009, for 27 member states. Some member states were not able to accomplish liberalization on time. Thus the date was delay for 2011 for most member states and 2013 for new member states and for those with specific territorial characteristics that makes difficult to bring postal services (Postal service liberalization 2007). At the end of this first chapter, I depict the liberalization and privatization process of five European States. Notably, I focus on United Kingdom and Germany which were fore-runners to liberalize their markets (2006 and 2008). I review Austria and Belgium which will open up postal market in 2011 and finally Poland which will revoke its postal monopoly in 2013 as relatively new member in the European Union (2004) (Postal service liberalization 2007).

In chapter II is discussed the case of Posten AB. It explains the process of liberalization of the Swedish postal market and some of the historical steps in its transformation to become Posten AB. I expose Posten's technological innovation and the diversification of its offering and service infrastructure showing the strategy it deploys toward its clients either to increase its numbers or serve better the existing pool of customers. I proceed similarly in the following stage of transformation of "Posten AB" into the new entity "Posten Norden" after its merger with the Danish post.

Chapter III reviews the business operations and business models of Posten AB. The Posten AB's services provision from the customer to customer's customer are explicated. In order to have a better understanding of the processes, business models are illustrated with real examples from Posten customers. I included an analysis of competition of Posten AB and a review of its competitors by business divisions. In the final part of this chapter, I review future perspectives for Posten AB.

Finally I conclude on the European and Swedish parallel liberalization experiences. I focus on the way Posten AB's rapid strides towards its decisive transformation underlying the benefits and results Posten has achieved in the process.

1.1 Liberalization of the Postal Services in Europe: The Role of the European Commission

From a purely economic view, liberalization literally implies the possibility for individual and enterprises to carry business freely, lead by supply and demand principles without government controls or restrictions. Concerning already existing institutions or organization, liberalization suggests a reform in their legal framework including the active dealing with incomes from the private sector and restraining the intervention of government in economic activities (Lipton 2002).

The main objective of liberalization is to stimulate competition between providers on a common and accessible market. Competition implies the increase of customers in the market and this, in turn, suggests that customers should be able to have alternatives choices concerning their services providers (Hermann & Verhoest 2007). In markets that tolerate competition, the liberalization process implies a direct removal of rules, regulations and controls on entry, pricing and services in view of supporting competition. In markets where is not possible to bear total competition, it is required to separate competitive and non-competitive participants on the value chain. This is so in order to distinguish complementary partners which are maybe vertically related and hold the monopoly (Biggar n.d.).

Liberalization of the postal service is directly related to the globalization of postal exchange due to technological change (rather than the principled attachment to market economics for its own sake). It suggests that postal services are not exclusively adjudicated to national borders. Rather collecting, transporting and sorting mail is extended to any service organization able to provide postal services under certain regulations (licenses). Nevertheless, delivery process is still reserved to the postal service provider. Hence, a full liberalization of the postal sector means to abolish entirely the reservation of products, activities and weight and price limits. Full liberalization gives free entrance of all enterprises to offer postal services in part or in the whole postal value chain (Consulting & Training im Controlling 1998).

Competition in express mail and courier services is evident. While competition in those sectors is driven by the reduction of the monopoly area controlled by national providers, the delivery of letter is more problematic in regard to competitive practices. In practice, it is rather important for the delivery of the postal items to maintain a natural monopoly for service continuity in regard of mail volumes and frequency of deliveries. To this extent, competition is to be found in the delivery of the postal items to business and corporations, mainly in urban areas. However, the delivery of postal items to individuals, especially in suburban areas questions the efficiency of competition. In order to overcome the lack of competition companies have offered complementary services such as mail collection, sorting and transportation, leaving the final delivery service to the providers (Biggar n.d.).

Brief History of the European Postal System

Since ancient times, postal services have been carried out. There are historic registrations which date back to *c.* 2000 in Egypt and Zhou-dynasty China *c.* 1000 BC. In Europe Postal sector is the oldest and most important public service. The postal service played a vital role for European nations. During the Roman Empire, methods were developed in order to receive and send messages within its dominion. In the Middle Age, postal services were not centralized. In the Renaissance period private postal industry evolve in line with the institution of nation-state and later postal services became government monopolies. In 17th century it was developed from past governmental and private postal services by monarchs of France and Germany. In 19th century, a reform took place in England. Postages rates decreased in order to provide the service to common persons and establishing a standard national rate. In 1837 first proposals about weight and prepaid stamps were made. In 1875 The Universal Postal Union developed the international postal delivery service. Member countries collected the outgoing international mail and dispatch it as domestic mail (Campbell et al. 2004; Postal system 2009). In 20th century there was infrastructure innovation regarding the delivery of postal services and few technological changes, such as in logistics of train, plane and car distribution. Automated mail processing arose. The evolution of the transportation and communication technologies demanded also a re-development of the postal service. In 1970s companies called “air couriers” provide in Europe and America extra fast and reliable business documents. In 1980s couriers and postal offices joined to offer a “re-mail” service, the sender could post international mail directly to the postal office abroad instead of through his domestic post office. This promoted competition among post offices for the distribution of international mail. Since the 1980s, the Postal Sector in Europe has witness several changes. Notably, these changes come from a liberalization of the industry caused by market forces, the raise of new distribution technology through computing and logistic chain management (Campbell et al. 2004; Postal system 2009).

Postal suppliers have established post offices and bestow units in order to create a nationwide network for the collection, distribution and delivery of business and private mail with at least five days per week. Service networks have undergone a transition driven by new services (value-add services, e-commerce, etc.) and by changes of the service to a market- and customer outlook. This targets both groups of business and individual customers. Likewise, in terms of internal operations, there have been improvements in databases of the postal code, sorting and distribution processes, pre-mailing (printing and enveloping) and hybrid mail (Van der Lijn et al. 2005, p. 42).

Despite, in past years postal services were directed by the government holding a monopoly which by definition work without competition which, over the years, since the customers themselves where changing mail practices, show discrepancy with what one would expect a customer-oriented service to be. Customer was just regarded as recipient of former services without being thought of as active partner in the transaction. Quality service models were directed to technical and operational capacity

of the provider without thinking of customer needs. Government budgets did not consider postal costs with the attention required which later inflated into financial deficits. The apparent stability of the postal environment offered by the monopoly transformed it in lasting conditions. Nevertheless, the introduction of private firms offering high quality document and merchandise delivery services and their expansion into the market jeopardized the postal monopolies. In response, monopoly providers unfold a strategy set towards customer needs and market-oriented organizations. After all government-owned organizations were not flexible and independent in their management to deal with the demand and growing competition (Cuadra-Leiva & Ronderos-Tobon 2005). A modernization of the postal operator was imminent. EU member states were pressed by the EU commission to reduce their budgets deficit, to increase their profits and to improve overall efficiency in the sector (Van der Lijn et al. 2008).

The European Commission proposed accordingly deregulation policies. (Finger & Moller 2005). The stage of the EU reform challenged the traditional postal market to develop a common postal territory with free competition (Kuypers et al. 2006). The directive of the European Parliament of 2008, describes the objectives of the development of the Community Postal Services as a way “to promote throughout the Community and harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, the raising of the standard of living and quality of life, an economic and social cohesion and solidarity among Member States”. The common postal market pursues to liberalize the public monopolies held by incumbent providers in the market of each country within the Union. Already said before liberalization opens market to competition to improve the service, reduce prices and increase the efficiency and innovation as well as to deal with the technology advances (Postal services liberalisation 2007). Liberalization also pursues to create a postal customer-oriented service for both business and consumers (Postal Services 2008). In terms of competition, the liberalization process attempted to increase the number of postal operators and the possibility to offer multiple services along the postal value chain of the letter and parcel market to convert competition focused on national markets to a competition focused on the European market. Like this, operators are able to enter other markets within the Community and compete with other operators (Finger & Mollet 2005).

In such a way, the European Commission attempted to establish a new regulation of the postal market (Crew & Kleindorfer (eds.) 1995). In 1990s the European Commission discussed the purpose of integrate the postal services across Europe, unify the postal market for goods and services (Brandt 2007) and state the rules of service in the different EU region. As a result of this initiative, a preliminary proposal, the green paper was submitted. In 1997, after revisions the EU partners agreed on a directive and amended in 2002 (Brandt 2007). In 2008 a last directive was published (Postal services 2008). Directives design the steps of the process and establish a timetable for the gradual

liberalization of postal services to a fair competition (Cuadra-Leiva & Ronderos-Tobon 2005). The intended schedule was settled to achieve full liberalization in 2009 for all member states. The member states that totally have liberalized the postal service in advance (Sweden, Finland, UK, Germany and Netherlands) favored the deadline. They wanted to incursion in new EU markets to create business opportunities for their postal services. Nevertheless, other countries like Belgium, France, Greece Hungary, Italy, Poland and Spain opposed to liberalize rapidly the postal market. They were concerned of harming their postal operators, to offer low quality services and causing a shrink of employees in the sector (Postal services liberalisation 2007). The polarized member states made a negotiation to delay the reform policies. It was agreed that all member states will accomplish full liberalization of their postal markets in January 1st 2011. A second date to liberalize the market in January 1st 2013 was set up for member states that recently joined EU and for member states that their characteristics (topography, geography and population size) complicate the provision of the postal service (Postal services liberalisation 2007). The last includes member states such as Cyprus, Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania and Slovakia (EU pushes through 2007). More, the agreement includes a reciprocity clause. The clause impedes the entry to full liberalized markets to member states that still protect their postal markets. The clause was established to avoid monopolies prey upon liberalized markets and cause unfair competition (Postal services liberalisation 2007).

Along with this, the European Commission directives state the obligation to continue the provision of the universal service (Directive 2008/6/EC). The universal postal service is the guaranteed dispatch of postal items once a day and five days a week with standard prices and quality levels to benefit all inhabitants in a Member State (Geradin (ed.) 2002). These EU directives set a reserve area for universal service provider delimited by prices and weight of the letters (Van der Lijn et al. 2008). Initially, the universal service of letters was defined by letters weighing up to 350 grams and five times the standard service (Directive 1997/67/EC; Finger & Moller 2005). After, the reserved area was set to less than 100g or costs less than three times the standard service. In January 2006 the reserved area was reduced to less than 50 grams or costing less than two and a half times the standard service (Directive 2008/6/EC). For 2011 this reserved area will be totally abolished. Member states considered that the universal service provision was going to be unfeasible, as the reserved area as yet has being a form to finance the universal service. In this regard the directives stated that mechanism can be adopted to finance the universal services. These financing mechanisms include: (1) to receive subsidies from the government, (2) to transfer funds from profitable to non-profitable postal activities and (3) to charge fees to new market players interested in postal business. The financing mechanism applied will depend of the characteristics of each member state and the way each one implement the directives into their legal framework (Postal services liberalization 2007). Finally the EU directive dealt with a non-reserved area for postal services, non-discriminatory market access to postal network,

guidelines for the standardization of tariffs, transparency and quality of services and standardization of processes for national and cross-border mail (Campbell et al. 2004). Annex I gives a detailed description of the development and regulation of these technical specificity.

The pace of liberalization gave time to Member States to adapt their regulations to competition (Directive 2008/6/EC). The gradual liberalization has facilitated member states their engagement in restructuration transforming the public monopolies of postal service into private corporation, privatizing postal services (Kuypers et al. 2006; Regalia 2007). Privatization means that the national operators had to transfer ownership rights to distribute mails from governmental to private operators. Private operators obtain ownership rights of the companies through the acquisition of shares in the stock market. Nation state might or might not decide to maintain participation in those new private operators (Hermann & Verhoest 2007.) Private investors became part of the equation to reduce public expenditure, taxes and participate in future investments. Private investors helped to change the focus of general objectives on the utility obtained from the delivered service. Private investors looked for revenues from customer instead of revenues from tax returns. Besides, privatization led to managerial reform in reducing operating costs, changing the role of employees and reducing prices (Helm 2001).

Member States have followed the steps towards the full liberalization (Kuypers et al. 2006). Member States have transposed the directives into their legislative framework (Van der Lijn et al. 2005) in order to accomplish the Directives stipulations (Kuypers et al. 2006). Austria and Belgium will accomplish full liberalization in 2011 and Poland in 2013. Other countries such as United Kingdom and Germany, has achieved the complete open up in 2006 and 2008 respectively (Hetland & Brunsden 2009). A special case will deal in more detail later is Sweden. In 1993 Sweden revoked its monopoly of letter mail before the first EU directive was released. Sweden took step forward the liberalization of the postal service before it belongs to the EU itself (1995). The importance of the Swedish case comes from the fact that (1) it is not ideological reasons that brought the Swedish state to liberalized, (2) the Swedish state, by preceding the EU, show that its own administration was able to deliver the analysis of the mail market that other administration in Europe were unable to deliver, (3) it was also able to engage in the reform without waiting for the EU to give incitation to do so. It shows a pro-activity of the Swedish policy makers that renders the EU redundant since they act after the facts. (4) It also took the opportunity of the “first mover advantage” brought by the technological implementation of 1990s of internet for the whole Swedish population. As a result, it was the first country in the world to bring the liberalization to its postal market (Postal Affairs Department 2007) to introduce competition to services which, in other countries, are still controlled by national monopolies (Committee on Competition Law and Policy 1999).

1.2 Postal Service

The Postal Service in Europe is an important instrument for communication and information exchange. It connects -through its networks- people, markets, economies and territories which allows local organizations to cross borders (Directive 2008/6/EC). In the following part I will describe the outline of postal services including segmentation of the postal service and a description of the value chain of traditional postal services.

1.2.1 Outline of the Postal Service

Postal service is the dispatch of messages or parcels from a sender to a recipient (De Bijl, Van Dame & Larouche 2003). According to CERP WG RI Project (2002) postal service is related to the “collection sorting, transport and delivery of postal goods between sender and addressee”. Postal service is the freighting and carriage of items from one point to another, domestic or foreign. The postal service has as main objective the conveyance of addressed items according to volume and including the transfer of items within a schedule to every delivery point in a region. Items of postal service refers to personal letters, postcards, bills, invoices, payments, directed advertising and diverse written personal communications, parcels and packages, express mail services, newspapers, unaddressed direct mail and bulk mail (Committee on Competition Law and Policy 1999).

1.2.2 Segmentation of the Postal Service

The definition of the postal service (Cuadra-Leiva & Ronderos-Tobon 2005; International Bureau 2005) includes:

1. Letter mail service: It is attributed to the collection, transport and delivery of letters and printed matter items.
2. Parcel service: Collection, transport and delivery of parcels and packets.
3. Express mail service: It is related to the fast, end-to-end delivery service of letters and other articles. The customer is able to track the consignment from the origin to the delivery point.
4. Logistics services: It is employed by customers who send, store and provide items by mail between their own subsidiaries or between their customer and the market.
5. Hybrid mail service: It involves physical mail delivery and electronic messaging. A letter is created in a computer, afterward it is sent to the postal operator through its network which is nearest to the delivery point and the operator convert it into a physical mail item by printing and delivering the item to the addresses.

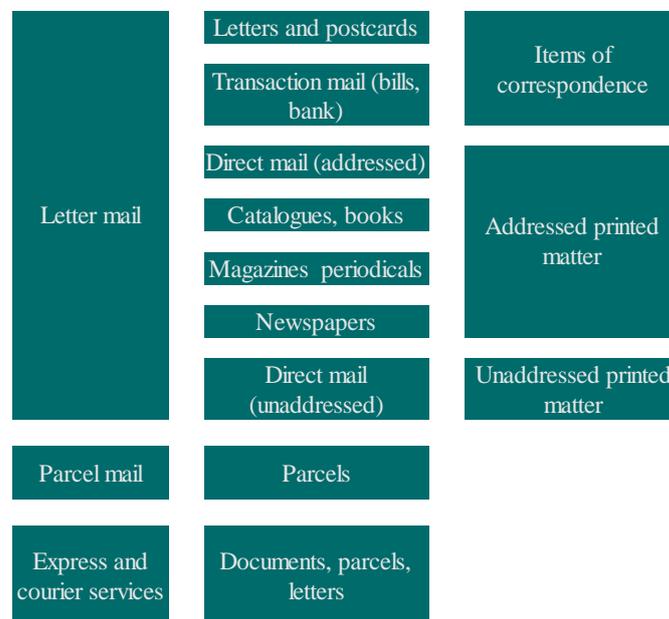
6. Financial services: They are the postal banking services which include deposits, savings and check account managements services, as well as credit facilities, bill payments such as water, gas, electricity and telephone, funds transfers, pension and annuity payment services.
7. Post-office counter services: They are related to the sales of postage stamps and handling of certified letters and package.
8. Other services: Other services such as rents of P.O. Box and public services not classified.

In a broad sense, Van der Lijn et al. (2005, p.39) classifies the postal services as follows:

1. Letter mail market: Includes items of correspondence, addressed printed matter, newspapers and unaddressed printed matter with a weight of maximum two kilograms per item.
2. Parcel Mail: Items above 2 kilograms with a maximum of 20 kilograms.
3. Express and courier services: It is the supply of value-added, door to-door transport and deliveries of time-definite shipments, including documents, parcels and merchandise goods.
4. Domestic and cross-border mail and value added services such as hybrid mail and logistic services.

It is depicted the disposition of the postal service in *Figure 1*.

Figure 1 Postal Market Segmentation



Source: Van der Lijn et al. 2005, p. 40

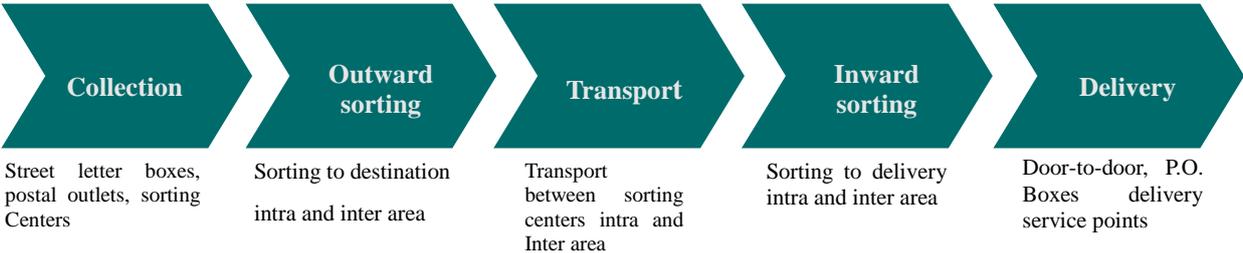
In *Figure 1* Items of correspondence encompass letters and transaction mail. It includes personal and specific information to the receiver (Van der Lijn et al. 2005, p. 40) indicated by the sender (Crew, Kleindorfer & Campbell (eds.) 2009). Addressed printed matters contain just the name and the address

of the receiver. Unaddressed printed matter is not personalized and it does not display name and address information. Overall, the items of correspondence and printed matter differ in the extent of personalization of the information enclosed to the item in order to reach the addressee (Van der Lijn et al. 2005, p.40).

1.2.3 Postal Service value chain

The postal service value chain is structured throughout its main operations: collection, sorting and delivery (Van der Lijn et al. 2005, p. 41). *Figure 2* describes the basic process.

Figure 2 Postal Service Process



Source: Van der Lijn et al. 2005, p. 42

In *Figure 2* the first step is collecting and consigning mail item to the sorting point. Next, the sorted items are delivered to the next sorting office. The sorting procedure is both manual and automated, using bar code or optical readers. After, the mail item is transported to the final sorting office by road, air and or freight rail. Here, mail item is sorted once more for its last delivery; the step is called inward sorting. Finally, the mail item is remitted to the addressee to his/her door (Committee on Competition Law and Policy 1999).

Express and courier services process cover door-to-door collection and delivery services. The course entails the collection of the item from the sender at the end of the work day. Afterward, the transportation and customer clearance take place during evening and night. The morning after the item is delivered to the receiver’s address. From beginning to end of the procedure, the sender got information about the item shipped and it is provided with a proof of delivery. Providers of express duties are mainly concentrated on business to business services. Leaders in the market of express services are DHL, FedEx, TNT and UPS (Van der Lijn et al.2005, p.43).

1.3 Liberalization and Privatization processes in Germany, Austria, Belgium, UK and Poland

As mentioned before the European postal sector has evolved over time in terms of demand, user needs, organizational structures, automation and new technologies, replacement by electronic means of communication and open markets. Member states of the European Union have considered improving

the efficiency of their postal service. They have looked at how to diversify their products (i.e. providing electronic business services, digitizing data and electronic communications) to face the new challenges and to allow providers to be more competitive. Member states have considered the liberalization of the postal sector. The fully open postal sector increases the number of the postal markets. It pursues the promotion and regulation of the employment, the creation of new jobs within operators and the participation of new entrants and new associated economic sectors leading to a fair competition among actors (Directive 2008/6/EC). The opening up process has divided the market into two separate groups: providers of the universal service in a market where customers are almost assured, and a large number of dissimilar operators seeking new niches and market segments to grab. Furthermore, the process has driven to companies to transform and to restructure the organization and to find new means to diversify their products and pursue new local and international markets. Regardless, reducing costs is a major factor which interests both groups equally (Brandt & Shulten 2007).

As mentioned the liberalization of the letter market was made by stages which involved restructuring strategies and the privatization process of the national postal companies (Brandt & Shulten 2007). In all countries reviewed below, the sector is divided into a universal guaranteed postal service by a single main provider and services supplied by private companies which some require licenses (Regalia 2007).

The privatization of the monopoly of the postal companies was carried out in Germany in 1995, Austria in 1996, Belgium in 2000 and the United Kingdom in 2001 and Polish privatization is expected by 2013. Prior the beginning and during the process of these privatizations, member States mentioned took reorganization measures to restructure their previous monopolistic systems. The restructure guided them to reduce their personnel in Germany and Austria. UK started the partition in 1981 from Post Office and then was privatized in 1984. However, its letter, parcel and counter services remained in hands of public sector through subsidiaries. Same case is observed in Poland. In Belgium and Austria private investors have a minority of shares. On the other hand, the postal service incumbent in Germany is owned mainly by private investors since 2005. Moreover, the transportation of postal service and counter service has been carried out by outsourcing to subcontractors in Germany, United Kingdom and Austria (Brandt & Shulten 2007).

In next section the process of liberalization and privatization of the postal sector in Austria, Belgium, Germany, Poland and UK are described. I review the structural division of those postal markets underwent and the main participants in each market segments as a result of the gradual liberalization (Hermann & Verhoest 2007).

1.3.1 Liberalization and privatization of “Deutsche Post World Net” in Germany

Before liberalization the German Post held a monopoly for products weighting less than 20 kg ensuring the supply of the universal service. Companies were oriented to the parcel market over 20kg. The process started mid 1980s. In 1984 the German government opened the express business to competition and since 1985 the sector of international express and courier mail was liberalized as well. At the same time, in 1989, privatization took place. The Federal Postal Service was separate into three state-owned companies: postal services, financial services, and telecommunication services. They were public property controlled by the former Ministry of Post and Telecommunications. In 1994 the enterprises were privatized and the Federal Governments had to secure the postal and telecommunication services to users. On 1 January 1995, the three enterprises were public limit companies and at the beginning the General Federal Government owned all the shares. After that the postal service was renamed as Deutsche Post AG, later on the company changed its name to Deutsche Post World Net, a holding company with Deutsche Post AG as a main shareholder (Brandt 2007, p. 5). The Privatization happened before a significant step towards liberalization process began. The Postal Act of 1998 permuted the First Postal Directive into a national law. The liberalization of the German postal market followed the European calendar but Germany decreased the limit from 350g to 200g for the reserved letter market, the limit was lower than the margin stated by the Directives. In 2003 cross-borders mail was totally opened to competition and the limit was reduced to 100 grams in this year and 50 grams in 2006. The exclusive license for Deutsche Post AG was granted in December 2007, whereas in that time the European Commission planned to set the full liberalization of the service in 2008 (Brandt 2007, p. 11).

The process of liberalization and privatization opened to competition in a 75% and they shaped the German postal sector as follows: (1) Before full liberalization of the letter market, the reserved area with no competition were licensed to Deutsche Post AG. The limit for letters is a weight up to 50 grams and a price limit of €1.38. (2) Courier, express mail and parcel market with full competition in the market. It is controlled by Deutsche Post AG, United Parcel Service (UPS), Deutscher Paket Dienst (DPD), General Logistics Systems Germany (GLS), Hermes, Trans-o-flex, and Thomas Nationwide Transport (TNT). (3) A non-reserved area of letter postal market is regulated though licenses issue by the regulatory agency and it is a competition area. (Brandt 2007, p. 11). In 2005 the liberalization process did not drove to an increase of competition regarding market shares. Deutsche Post AG dominated the whole letter market with 93.1% market shares and 83.2% in its competition area. New competitors had 6.9% in the letter market and 16.8% in the competition area. They did not own a national infrastructure and they were directed to the dispatch of goods and services in large range such as electronics, furniture and financial expertise (Brandt, 2007 p. 12).

1.3.2 Liberalization and privatization of “Post AG” in Austria

Before 1990s the sector was fully run by the government. There were providers of parcel and express services and advertising services which previously were sold from the government monopoly. In 1998, the liberalization process started when there was a partition to a reserved, protected area and a zone for competition. The monopoly of the sector continuously decreased (Brandt 2007, p. 9).

Two years before the start of the liberalization process, in 1996 the Post and Telegraph AG -a government department- was sold to a private limited company: Post und Telekom AG. In 1999, the telecommunications and post office area were horizontally divided into two separate legal units: Telekom and Post AG. Telekom went public on the stock exchange market and part of the shares was sold. Post AG continued being public in full until May 2006 when the incumbent rights were exercised by the Ministry of Finance. In 31 May 2006, 49% of the Post AG stocks were sold on the financial market. Remaining 51% was possessed by the government (Brandt 2007, p. 3).

For 2007, 75% of the total Austrian postal market was opened to competition. However, the letter post in Austria did not lead to more competition considering Post AG, as leader in the market, held 98% of the market, for information mailing 85% and for media 56% (Brandt 2007, p. 3). On the other hand, liberalization brought sustainable competition for parcel and express services, media and advertising markets. Parcel post and express services are provided by international companies which have presence in the country offering just services for business customers. Those are UPS, TNT, DPD and Federal Express (FedEx). In relation to direct mail and media, Feibra Company operates just in unaddressed direct mail and Redmail provides direct mail service and media (Brandt 2007, p. 8).

The process of liberalization and privatization shaped the Austrian postal sector as follows: (1) Reserved area for letter post handling letters, postcards, transaction letters over 50g including cross-borders letter post with no competition. (2) In advertising market, addressed and unaddressed advertising arose with substantial competition. (3) Media market related to newspapers, magazines has substantial competition. (4) Parcel post with minimum 2kg maximum 20kg presents intense competition. (5) Express and courier services regarding documents, parcels, letters have intense competition (Brandt 2007, p. 9).

Overall, three quarters of the total postal market is open to competition and Post AG holds 98% of the shares of the letter market. Therefore, liberalization did not launch more competition in this area, whereas courier and express, media and advertising markets showed a substantial increase on competition (Brandt 2007, p. 9).

1.3.3 Liberalization and Privatization of “De Post” in Belgium

After 1956 only the Belgium post held the right to provide the postal services of all correspondence. There were private companies which already had competition in certain areas such as delivery newspapers and advertising. The market was reformed just in letter and parcels section which did not need a special treatment. Liberalization in the Belgium postal service has followed the European schedule. However, there was still a monopoly in the reserved area of 50 grams, in the unaddressed mail and in the express and parcel services. The reserved market was conducted by the Belgian company De Post (Brandt 2007, p. 10).

After liberalization process begins, De Post was a company owned totally by the central government and it held a legal monopoly in the postal service. In 1991, De Post was declared as an autonomous state enterprise. Nevertheless, the government kept supervising the company in terms of financing and management contract. With this reform, De Post was able to create a board of directors and subsidiaries. In March 2000 De Post was legally restructured into a limited company. Since 2005 participation of shareholders in the company was consented but there were restrictions. The Belgian state must to have more that 50% of the total of shares and those shares give the state more than 75% of the votes and control in the whole company even if there are shareholders. De Post provides through nine subsidiaries mail, express, parcel services, newspaper, retail, financial post, insurance, banking; De Post outsources from companies when it sends mail in bulk (Brandt 2007, p. 4).

The process of liberalization and privatization shaped the Belgian postal sector as follows: (1) Reserved market, most of De Post billing comes from areas already opened to competition. The opening has brought more companies active such as: Belgian subsidiaries of Deutsche Post Welt Net and TPG Post leading the specific market of cross-boarding shipping and magazines or newspapers. (2) Parcel and express service is controlled by DHL, FedEx, TNT, and UPS. These companies together with Belgian railway-subsiary ABX possessed 62% of the Belgium market. Remaining 38% belongs to small enterprises. (3) Small courier’s services are active in the country (Brandt 2007. p. 10).

In 2007 there were around 1,000 companies functioning in the sector. However the processes have not led to more competition in courier, media and advertising markets. Letter market is still affected by the reserved area (Brandt 2007. p. 10).

1.3.4 Liberalization and privatization of “Royal Mail Group plc.” in United Kingdom

Royal Mail was a government department since 1960 when the Post Office became a nationalized industry. It was shaped by letter post, parcels, post offices, banking services and telecommunications. It held the monopoly of the letter and parcel market until 1981 when the parcel market was open to competition and letters cost less than £1.00 to deliver. The last permitted to competing firms to entry into the parcel and express delivery market. In 1981 the telecommunications division and the Post

Office was divided and until 1984 the Postal Office was privatized. In 1986, Postal Office changed its structure to five divisions: Royal Mail, Parcelforce, and Post Office Counters, Post Office Savings Bank and Subscription Services for television licenses. The restructure made by the Postal Office was the base for the establishment of the company as a government-owned public limited company in 2001. One year after the company changed its name to Royal Mail Group Plc. In 2003, the liberalization of the market was planned to be in gradually. The first step was to liberalize the delivery of mail in big amounts from 4,000 items or more however, UK totally liberalized its postal market in 2006 (Brandt 2007, p. 7, 15).

The process of liberalization and privatization shaped the British postal sector as follows: (1) Letter and packet delivery sector is held by Royal Mail in 96% which represents 72% of the total postal services market in UK. (2) Parcels and express delivery sector introduced competition since 1981. Hlare carry as many as 4,000 companies that compete with Parcelforce and also TNT and DHL which has a 30% share of the two-day and more delivery market.

There was no substantial development regarding licensed operators which offers their services directly to the customer representing just 0.2% of this market in the licensed sector. Licensed operators use the Royal Mail's network and deliver centers. Royal Mail conveys the post to individual addresses. Postal Office Counters Limited is a network of 600 directly owned and 16,900 franchised local post offices which are in charge of letter and parcel mail services and government payment transference. The full liberalization in United Kingdom in 2006 just launched a moderate competition in shares regarding letter market (96%). Thus, there was a formal liberalization but there was not seen in reality (Brandt 2007, p. 7).

1.3.5 Liberalization and privatization of “Poczta Polska” in Poland

In 1980s there was just one company providing postal service, holding a monopoly in Poland: “Przedsiębiorstwo Państwowe Poczta, Telegraf i Telefon” (Post, Telegraph and Telephone National Enterprise/PTTNE) regarding mails, parcels, and money orders. Poczta Polska was a national public-service enterprise controlled by the State Telecommunication and Mail Inspection a body at the Ministry of Communication. Telecommunication service and postal service was divided by the Communication Act of 1991. Then “Poczta Polska” became the provider of the universal postal service as well as reserved services limited to less than 2 000 g. The Communication Act of 1995 divided the market in reserved area and universal postal services, concession services and free services. The next step was taken in 2003; Poland started the process to open the market to competition by transposing the European Union Directives into Polish legislation. In 2004 the reserved area was reduced to 350g and from 1 January 2006 the weight was reduced to 50g. However, until the end of 2005 Poland continued to have benefits from the letter market during the transition (Brandt 2007, p. 14).

In May 2005, Poczta Polska conformed by shareholder of seven companies began to prepare its structure to a liberated market (Brandt 2007, p. 14).

The process of liberalization shaped the Poland postal sector as follows: (1) Poczta Polska owned 99.1% of shares and private operators had the remaining 0.9%. (2) Courier services market is fully competitive which is led by six private and foreign operators: DHL and Servisco (28.15%), GLS (20.1%), MS Stolica (17.14%), Masterlink (11.04%) and, UPS (10.43%). Liberalization process did not conduct to a real privatization and did not expand competition (99.1%). There was a structure for liberalization but it was not achieved (Brandt 2007, p. 6).

Table 1 summarizes and compares the main liberalization and privatization steps of the five countries above described.

Despite all Member States have put into effect the postal directives towards full liberalization, the process has developed in different means and pace in each Member State postal market (Van der Lijn et al. 2005, p. 75). The Member States described progressively reduced the reserved area which is still controlled by the national postal provider (Hermann & Verhoest 2007). United Kingdom liberalized the delivery of bulk mail (Van der Lijn et al. 2005, p. 80) and it achieved the full liberalization in its letter market in 2006 (Brandt & Schulten 2007). Germany opened the delivery of direct mail and out-coming cross border mail (Van der Lijn et al. 2005, p. 17), almost 40 per cent of the total market was open in 2007 (Hermann & Verhoest 2007). Afterwards Germany fully opened its postal market in 2008 (Sparas & Hentschel 2009). Austria and Belgium liberalized out-coming cross border mail. Until 2005 Poland maintained a large reserved area controlled by the national postal operator and did not liberalize the delivery of address mail below 350 g. (Van der Lijn et al. 2005, p 17). In 2006, Austria, Belgium and Poland reduced the reserved area to 50 g (Brandt & Shulten 2007). The market of items weighting more than 50g in Austria, Belgium and Poland is still handled by the national provider (Hermann & Verhoest 2007). It is expected Austria and Belgium will liberalized this area until 1 January 2011 and 1 January 2013 in the case of Poland (Hetland & Brunsden 2009). Regarding competition as an aim of liberalization, it is clear that parcels and express services are more competitive than letter market in all five countries. Altogether, competition in the letter market is minimal in Poland, is limited in Austria and Belgium and rather limited in Germany and United Kingdom (Hermann & Verhoest 2007).

Table 1 Main Liberalization and Privatization Steps

Year Country	Austria	Belgium	Germany	Poland	United Kingdom	EU- Directives
1991-1995			95: Formal privatization (i.e. the transformation to a company of private law)			
1996-2000	96: Formal privatization.	98: Reserved area <350 g. 00: Formal privatization.	98: Reserved area <200 g. 00: start of initial public offering.		98: Reserved area <350 g or <1 < £1.005.	98: Reserved area <350 g.
2001-2005	03: Reserved area <100 g.	03: Reserved area <100 g. 05: Initial public offering (majority in public ownership)	03: Reserved area <100 g. 05: private investors with majority of shares.	04: Reserved area < 350 g.	01: Formal privatization. 02: Market for bulk mails (4, 000 +) fully open to competition.	03: Reserved area <100 g.
2006-2011	06: initial public offering (majority in public ownership). 06: reserved area <50 g.	06: Reserved area > 50 g.	06: Reserved area < 50 g. 08: full liberalization	06: Reserved area < 50 g.	06: full liberalization.	06: Reserved area <50 g. 09: Initially planned full liberalization. 11/13: Full liberalization.

Source: Brandt & Shulten 2007.

Sweden was the first country in European Union and in the world to proceed to a full liberalization of its postal system (National Post and Telecom Agency 1999). In doing that, Sweden effectively proposed the first model of liberalization of the postal market in the world (Falkenhall & Kolmodin 2005). In the following chapter I will review how this happened, relating the development of the company Posten AB and its core business aspects in the liberalized Swedish postal market.

Posten AB is a Swedish company licensed by the State to carry out postal services (Posten AB 2007a). The Swedish state owns the whole Posten AB. Posten is working mainly in the services attached to logistics. It entrusted to deliver letters and logistics operations in Sweden (Posten AB 2009b). Posten pursues to provide quality, reliability, cost-effective and just in time postal services through its networks, operating businesses and partners. Posten has operations in the Swedish territory, in the Nordic region and in the international market. Its revenues are of 30 billion Swedish crowns. Posten has around 30,000 employees which handle 20 million pieces of mail every day. The company reaches 4.5 million homes and 900,000 businesses (Posten AB 2007c).

Posten has elaborated a corporate's (2009b) vision and a marketing approach which corresponds to its new status as a company. This vision is: "[to] deliver world-class communication and logistics solutions to satisfied customers". Posten's mission "is to connect people and business by delivering mail reliably, cost-efficiently and on time. Posten aims to create outstanding value for customers and business by combining conventional and electronic mail". The Posten's task "is to guarantee the distribution of mail and parcels throughout Sweden while increasing the value of the state's share in the company" (Posten AB 2009b).

2.1 History Background of Posten AB

- The history of Posten AB goes far back in time. The creation of Posten AB corresponded to the need for a safe transportation of information during the Thirty Year's War. This led the establishment of the Swedish Postal system in 1620. In February 1636 Chancellor Axel Oxenstierna proposed to the Privy Council to establish a postal service based on a relay system within Swedish Kingdom and its provinces. Thus the Swedish post office was created. Postal routes were formed by the installation of post-pawns every thirty kilometers which had the obligation to forward the mail. The head of postal service who was under the Crown control delivered international correspondence and received reports from all postal offices in the kingdom to inform their service administration (Posten AB 2007d).

- In 1800s postal budget was settled by Parliament instead the Royal Majesty and Cabinet Office was in charge of the post office's finances. Later the Cabinet Office was placed under the Ministry of Finance. Also in this decade, the Crown lines ceased the delivery of postal items and ordinary lines took their place (Posten AB 2007d).
- In the first half of the 20th century it was appointed a Chairman who together with the board decided the administration of Post. Local governments received more responsibility for the services in their areas (Posten AB 2007d).

Overall, Government administration of the postal system endured for 350 years (Andersson & Thörnqvist 2006) until Swedish postal market confronted the process of liberalization (Brandt 2007). In 1980s Swedish Parliament remarked that in contrast with private companies, Post Office as a governmental organism presented a lack of freedom in its operations. In the letter market Post Office carried a natural and formal monopoly (Falkenhall & Kolmodin, 2005). The monopoly contained the reserved area for the delivery of letters or private mail weighting up to two kilograms (Postal Affairs Department 2007). The market for the delivery of packages, express services, newspapers and advertising brochures or any other written or printed item massively duplicated was always opened to distribution by private companies (Andersson & Thörnqvist 2006). Posten was now interested in companies and organization's needs since most of their revenues came from those customers. Parliament was focused on a more market-oriented approach. Parliament pursued to simplify the internal structure of Swedish Post by dividing the organism into letters and packages and Banking and Cash units (Posten AB 2007c).

2.2 The Process of Liberalization

The liberalization process began with the issue of the Government Bill of 1990 as a result of the assessment of the mail monopoly by the government (Falkenhall & Kolmodin 2005). In 1991 the government administration presented a second Bill (Andersson & Thörnqvist 2006). Postal monopoly and laws were reconsidered. The government affirmed that competition is one mean to increase cost efficiency and customers shall benefit with competition since it brings a better mail delivery service. Government stated that competition could be achieved through the liberalization and privatization of the postal service and considered the transformation of Post Office to a limited liability company in the short term (Falkenhall & Kolmodin 2005).

In December 22nd 1992 the Parliament decided to abolish the State postal monopoly. The Bill was enacted in January 1st 1993 (Falkenhall & Kolmodin 2005) but until 1994 the legislation came into force. The last suggests: (1) that liberalization and privatization were undertaken when the law was still not valid and exercised; (2) that Sweden revoked its monopoly of letter mail before the first EU

directive was released and (3) Sweden took step forward the liberalization of the postal service before it belongs to the EU itself (1995) (Andersson & Thörnqvist 2006).

2.3 An Hybrid Solution

In 1994 privatization of the Swedish Post Office took place (Brandt 2007). The organism was transformed from a public agency "*Postverket*" (Falkenhall & Kolmodin 2005) into Posten AB (Posten), an independent company still owned by the state which was able to bear costs and compete in a liberalized market (Andersson & Thörnqvist 2006). Posten agreed with the State the provision of the postal service (Falkenhall & Kolmodin 2005) in this mean the Universal Service provision was imposed (Committee on competition 1999). Posten or any incumbent of the postal service (Brandt 2007) is monitored by Post and Telecommunication Board (PTS) (Falkenhall & Kolmodin 2005). PTS became an independent authority which aims the implementation of general rules to regulate postal activities in the market (Postal Affairs Department 2007). In summary Posten is the formal postal administrator and universal service provider which is a state-owned limited liability company (Postal Affairs department 2007) with 91.14% of the total market shares (Henricson 2008).

Posten an independent state own company was licensed by PTS to provide "universal service operations" meaning post delivery that are considered as directly social services. Posten is obligated to bestow postal items up to 20 kg every business day to each individual and company customer within Sweden. Posten is entailed to provide a service with quality, uniform and affordable prices which bear costs. Posten shall offer free services for the disable (e.g. visually handicapped), extended rural postal services for the elderly and disable and free services for national defense purposes. These services are subsidized by the Swedish government (Committee on competition 1999; Posten AB 2009a). With the transposition of the European Directives Posten shall give equal access to operators to its postal system in a non-discriminatory and reasonable mean to ensure same competition conditions for all participants in the market. More, Posten is entailed to deliver the day after of the deposit at least 85% of those items and to ensure that 97% of such items are delivered within three working days (Committee on competition 1999). Posten undertook 94.9% of the letter deliveries in 2008 (Posten AB 2009a).

2.4 Direct Competition and the definition of customer's value

After liberalization the most important Posten's competitor in the Swedish postal market is City Mail (Committee on competition 1999). City Mail Sweden AB was created in 1998. City Mail is a company totally owned by Norwegian Post. City Mail delivers mail to the largest cities within Sweden (Postal Affairs Department 2007).

Since the entry of Sweden in the European Union in 1995, the Directives issued by the European Commission have guided the management of the postal market. All Directives were transposed into the Swedish legislation immediately after they came into force. Even further, the Government Bill of 1992 already took into account the European Union stipulations before Sweden officially became part of the Union (Falkenhall & Kolmodin 2005).

Due to the transformation of the postal market, Posten confronted certain challenges (Posten AB 2009a). Posten came across with the abolition of the postal monopoly in Sweden and its conversion from a governmental organism to a private business with commercial and customer-oriented approach and commitment to increase value of the owner's shares (Rogovsky et al. (eds.) 2005, p. 80). Posten also met the liberalization of the postal market in the State Members of European Union (Edström & Sabel 2005) and the internalization of its services. The last processes boost competition (Rogovsky et al. (eds.) 2005, p. 89), increased the trade of goods, services and information in Sweden and outside its boundaries and diversified the demand and customers. These factors questioned Posten's operations and its competitiveness (Danish Technological Institute 2006).

On the other hand, since early 90s the volume of letters and payment agency started to decrease (Edström & Sabel 2005). People found new ways to communicate thanks to new electronic communication such as fax, e mail and internet (Danish Technological Institute 2006). Albeit the demand of parcels delivery was constant, Posten recognized those electronic methods were displacing the use of regular letters as a mean of communication (Rogovsky et al. (eds.) 2005, p. 89). The use of e mails became a significant competitor for postal letters. From then on volume of letters diminished (Danish Technological Institute 2006). Mainly letter demand was affected in urban areas which represented the most important source of profit for the company (Edström & Sabel 2005). In 1995 Posten handled 3,369 billion letters while Posten dispatched 3,270 billion in 2003 (Danish Technological Institute 2006).

In the light of these factors, the company considered imperative to assess important features to be successful, competitive and cost-efficient. Thus in order to keep the leadership in the Swedish market and in the European region Posten decided to undertake several changes. Posten focused on the development of the letter market, its fundamental business, in order to increase productivity, to modernized and adjust the service to new technologies and offer a secure, fast and affordable mean of communication among people (Rogovsky, et al. (eds.) 2005, p 89 ; Danish Technological Institute 2006).

2.5 Diversification of services offering

Posten strategy was to bring the service to those places that customers frequently visit (Af Geijerstam 2002). Posten restructured significantly its network to distribute letters and packages as it is the

pathway through Posten brings the services and products to its customers. For this purpose Posten concluded agreements with chain stores and independent shops as service points (National Post and Telecom Agency, n.d.) Posten contracted services from groceries stores, convenience stores, gas stations, libraries, etc. to offer package inbound and outbound delivery, stamps and other mail services and products (Edström & Sabel 2005). The coverage within the territory increased through new service outlets to make easy for customers to have access to the service with extended business hours. In this manner, Posten skimmed on monetary resources, facilities and employees (National Post and Telecom Agency n.d.). Posten included electronic means of communication in the letter distribution and expanded with value added services (Rogovsky et al. (eds.) 2005, p.88). Posten offered competitive solutions for the rapid growth of electronic commerce and advertising markets (Posten AB 2009a). Finally Postal held up alliances in order to develop its image as an international competitor (Rogovsky et al. (eds.) 2005, p.89).

Posten's services include mail, advertisement distribution and direct mail (Posten AB 2007a). Posten delivers domestic and international letters, periodicals and magazines the next business day or within three days. Posten offers express delivery mail fast and secure and registered mail delivery (valuable documents, cash and small goods) within Sweden and abroad (Posten AB 2009d). Posten supply hybrid letters which is a combination of physical letters with electronic messaging. Posten created "Varubrev services" for electronic trade which includes delivery of light items to individuals the next day or within three days (Posten AB 2009a). Posten offers support for direct marketing strategies such as market analysis, surveys, address list, reply post and effect measurement of the advertisement in a target group (Posten AB 2007a.).

Posten offers tailor-made transmission of business information (Posten AB 2007b) which includes invoices, statements, information to customers, club members' cards, electronic direct mail, etc. from companies to private individuals or business. Options for customers are paper or cards, electronic mail, text messaging and multi-media messaging (Posten AB 2009a). Posten delivers merchandise in pallets, parcels and express services in Sweden or internationally (Posten AB 2007a). Posten supplies to third parties services of logistics, transportation systems, freight forwarding and transport by car, sea and air (Posten AB 2007b). Posten transports items overnight and a just in time and quality service (Posten AB 2007a.).

2.6 Organizational Rational and Profit Formula

Posten is organized by business segments based on governability and the service that Posten offers. They are: Posten Meddelande AB, Strålfors AB, Posten Logistik AB (Posten AB 2009c).

2.6.1 Posten Meddelande AB

Posten Meddelande delivers letter, periodicals and direct mail, electronic communication services to reach Swedish individuals and business addressees. Mainly Posten Meddelande's customers are business. The service is offered to the customer through postal outlets networks and business centers (Posten AB 2009c). Posten Meddelande had revenues in 2008 of 17 billion Swedish crowns and handles 2, 500 million units (Posten AB 2009c).

2.6.2 Strålfors AB

Strålfors offers information technology logistic services. Strålfors has as main customers companies that operate in eight countries in Sweden, the Nordic and European. Strålfors had revenues in 2008 of 4 billion Swedish crowns (Posten AB 2009c, 2009a).

2.6.3 Posten Logistik AB

Posten Logistik provides logistics services for parcels, pallets and express services. Posten Logistik operates in the Nordic area in Sweden, Norway, Denmark, Finland, Germany and Netherlands. The company manages MyPack a logistic network for Norwegian and Finish addressees. Around 90% of Logistik sales come from Norway. Posten Logistik had in 2008 10 billion Swedish crowns and handles 65.5 million of units (Posten AB 2009c).

2.6.4 The Pricing System

Customers choose among available Posten's business centers and outlets for the delivery of their mail to a recipient within Sweden or abroad by traditional means (Posten AB 2009a). Mail sent should not weight more than 2 kg and should be protected with an envelope or other packaging. In the envelop the customer has to state the name of the sender and the recipient as well as to mark if the letter is going to be delivery the day after ("Class A" or "First Class") or within three days ("Class B" or "Economy Class"). Customers pay the service through postage stamps, franking machine or pre-franking envelopes, for example prices of stamps for domestic first class and economy class mail are 6.0 and 5.5 Swedish crowns (SEK) respectively (Posten AB 2009d). If the customer sends letters in bulk, he can acquire postage paid service and pay on invoice. The prices are determined by method of consignment, delivery time, weight, stamps or franking payment. Prices for domestic letters are from 5.50 SEK to 72.00 SEK. For international letters within Europe from 12.00 to 220.00 SEK and outside Europe from 12.00 to 265.00 SEK. This service can be combined with registered mail and valuables, cash on delivery and express services (Posten AB 2009d). After collection, letters are sorted regionally by the first three digits of the postal code when letter is collected (Falkenhall & Kolmodin 2005). Posten has invests in sorting machines to automate the process (Posten AB 2009a). The next step is

transportation of the letters, and locally, regional, national by truck and train. Arriving mail is sorted by carrier district taking all five digits of the postal code, letter areas and consignment offices. Then letters are delivered. Letters are sorted in accordance with mail carriers routes in the postal office and later on the delivery of the letters is done (Falkenhall & Kolmodin 2005). Regarding unaddressed direct advertisement, it reaches directly the delivery step to be sent to recipients in an area (Falkenhall & Kolmodin 2005). For incoming parcels up to 20 kg the addressee receives a notification to pick the parcel when the item has arrived to the outlet nearest to recipient's location (Postal Affairs Department 2007). The recipient should be able to prove his identity by a valid identity card in order to reclaim the parcel (Posten AB 2009d).

2.6.5 Technological Innovation to reach wider client's base

Posten has developed in its product portfolios the concept of hybrid post for business to consumer and business to business customers (Posten AB 2009a). Posten produces and distributes physical mail based on information that previously was provided by the customer in electronic format. Posten connects the customer to the service through a web interface which is administrated by Posten and secured with identification names and passwords. Once the connection is placed, the customer shall send a production plan which describes instructions for Posten, the date of production process, the number of letters, pages and attachments and volumes of letters. Customers shall send correct and complete production data within an order. Then the production data is printed in two test samples for approval. After approval, the production data is printed and enveloped according to requirements of the customer and the delivery take place. E-letters may weigh up to 30 grams and they must come from the same sender. Sorting is done in accordance of Posten's processes for the sort of letters shipped. The delivery date is one working day after the submission day of the data for domestic first class letters; and three working days for domestic economy class letters. For International letters delivery dates vary by country. The customer also can choose for electronic distribution of the data. This is Posten sends electronic messages in PDF format to e mail addresses of the recipients, text messages to a specified mobile number, magnetic strip cards and e invoices which are notifications of payments to the recipient's internet bank to be paid when the recipient later approves the invoice.

Prices for e-letters are divided in prices for e-letter production and prices for physical distribution which is the postage. The e-letter production price is a base price which includes a paper sheet printed on one side, enveloping and additional services contracted by the sender. The price for the physical distribution has an integration discount of 0.11 SEK as the delivery of e letters saves physical handling compared with the traditional delivery of a letter submitted directly by the customer to the Post office. The production price is 2.38 SEK per piece up to 499 pieces. 2.17 SEK per piece up to 4999 pieces and 2.07 SEK per piece more than 5000 pieces. The physical distribution prices are for first class

letters from 4.24 to 8.40 and for economy class from 3.84 to 7.68 considering volume of the letter delivery (Strålfors AB 2009b).

2.6.6 Parcels

Posten's parcel services include the delivery of door-to-door merchandise to individuals and companies in Sweden or any country. The parcels can be picking up or dropping off in outlets and business centers, the maximum weight is 20 and 35 kg respectively. Freight is calculated at 280 kg/m³. Shipment instructions are provided in the access point at the moment of the shipment or previously the customers can set up the instructions using online software supplied by Posten. Posten offers to pick up the parcel from individual houses and businesses facilities to be delivered in specific outlets and business centers for a fix price added to the freight price of the service contracted. The customers should book this service by internet, telephone or fax. The delivery of goods is within the next working day for domestic parcels. For international parcels Posten states delivery timetables for several countries. When the parcel reaches the destination outlet or business center, the recipient is notified through text messages to recipient's mobile phone or a letter delivered to the recipient's door by postman. The recipient has 14 days to pick up the parcel presenting identification. If the parcel is not picked up after those 14 days, the parcel will be returned to the sender with an extra fee. During the whole process the sender is able to track the parcels. The price of each parcel is stated by weight and length and by price list per country regarding international deliveries. For domestic parcels customer can hire supplementary insurance which covers the goods that are sent. For international freights Posten also provide export documentation such as customs documents, certificate of origin, bill of landing, etc. This service can be combined with other services like extended retention period to 30 days in the collection point, payment by recipient when the parcel is collected (Cash on Delivery) and changes in delivery request before the parcel reaches the address of the recipient. Regarding pallets, maximum dimensions are 1000 kg per pallet. Prices are calculated per weight, height per pallet up to 100 kg, additional weight after this weight is charged by kilo (Posten AB 2009d).

2.6.7 Personal and Transportation Cost

Posten's costs are allocated in transportation and personnel. The delivery process by postman to households of letters and parcels produces half of the total cost of the value chain. National mail is distributed by transports between regions and it is handled as regional mail. Local mail in small areas saves sorting procedures since local mail does not require regional sorting. In larger areas local mail is handled as regional mail (Falkenhall & Kolmodin 2005). Delivery of unaddressed mail represents a lower amount of costs compared with the letter delivery because these items require less handling in previous steps of the delivery process. Geographical distribution of households has impact on distribution (Falkenhall & Kolmodin 2005). This is because 740 000 addressees in Sweden are houses

distributed in villages which are dispersed and surrounded by farming grounds (Postal Affairs Department 2007). Cost in letter segment represents 2,794 million SEK and in the logistics segment 2,068 million SEK. As a common practice, Posten looks for adjustment and reduction of costs. In last half year Posten has reduced its personnel costs in the Posten Meddelande and Posten Logistics by decreasing the number of employees (Posten AB 2009c).

2.7 Key Resources

2.7.1 Employees

Posten has 29,346 total employees of which 19,975 persons work in Posten Meddelande, 2,175 in Strålfors and 6,247 employees in Posten Logistics. Posten considers its employees as representatives of its services with its customers: Therefore Posten's employees are skilled and motivated and work together to succeed in the company. The employee focus of Posten is directed to three areas: (1) employee citizenship, (2) leadership and (3) health. In area 1 commitment and sickness absenteeism is included. Commitment and sickness absenteeism is measured by an employee survey program called VOICE which gives information about the development of employees' commitment. The target was to achieve 65 points of commitment but results surpass it to 67 points which means that employees are committed to accomplish Posten's objectives. In area 2 leadership, Posten assess and develops its managers which represent 1,200 employees. Managers through internal conferences share information about the company's operation and performance, they are the image of the group. Regarding health in area 3, sickness absenteeism Posten reduced significantly the percentage of 6.5% to 5.6%. These results were carried out by promoting a healthy life among employees, reduction of long term disabilities and better conditions during work. Posten believes that cost savings can be achieved if its employees are healthy and maintain a good quality of life (Posten AB 2009c).

2.7.2 Knowledge and Business Strategy

In past years Posten required to develop knowledge related to information technology and strategic businesses competencies. Posten was looking to hire and retain personnel with these qualifications (Danish Technological Institute 2006) in order to be cost effective (Rogovsky et al. (eds.) 2005), technology advanced and with personnel oriented toward a business strategy (Edström & Sabel 2005). Based on this, closure of offices and meaningful workforce reduction were needed (Danish Technological Institute 2006). Posten wanted to maintain and develop its image as socially sensitive organization (Rogovsky et al. (eds.) 2005) considering Posten was going to remain recruiting skilled workers in the future. This led the creation of a permanent organism within Posten: "Posten Futurum" (Edström & Sabel 2005).

Posten Futurum

Posten Futurum helps participants to get a job outside Posten (Edström & Aronescu 2004). Posten wanted to transfer the personal responsibility for job searching to the participant and the decision to accept or reject a job offer. Futurum acted as auxiliary coach to support participants (Edström & Sabel 2005). Posten Futurum differed from other outplacement programs in which admission to the program was decided by each employee. This is the decision of being part of Futurum is voluntary. Also the support and guidance are tailored to the necessities of each participant enrolled. Posten Futurum gave options to participants when they were layoff. Participants were able to decide for a new job. Participants were compelled to find the job within 18 months after the enrollment. Posten provided participants a salary during the whole process. Participants also received a full-time salary during ten months if they decide to study an education program instead. Other choice: participants could start their own businesses. Futurum provided a ten months salary and business orientation (Edström & Sabel 2005). Participants who left Posten through this program must have the conviction that Posten was a responsible employer and that Futurum offered specific assistance to continue with their careers outside the company (Rogovsky et al. (eds.) 2005).

2.8 Posten AB's Services Infrastructure

Posten's service structure is divided in three levels (Postal Affairs Department 2007).

- 1- The first level of service is formed by 2 200 (Posten AB 2009a) Stamps Agents. Stamps Agents are shops, gas stations, newsagents and tobacco shops which are open from 10 am to 8 pm five to seven days a week. Agents do not offer dispatch services, instead agents sell postage stamps to be attached to the postal item ready to be deposited in Posten's letterboxes located on the street. Any business well established can sell stamps within Sweden since dispense of stamps is not restricted (Postal Affairs Department 2007). Businesses are part of Posten service network when Posten grants them a license to become an Agent. Agents as official distributors are obliged to sell Posten's products with prices determined by Posten (National Post and Telecom Agency n.d.).
- 2- The second Level of service is composed of 1600 Postal Outlets (Posten AB 2009a). Postal Outlets are situated in establishments where there is continuous flow of customers (Postal Affairs Department 2007) such per example ICA, Axfood, Pressbyrån and OK/Q8 among others (Af Geijerstam 2002). Individual customers and small enterprises are the outlets' target. For mail delivery customers go to these outlets. Delivery of parcels, stamps purchase and other products are also offered in Outlets. The postal service hours are determined by the working hours of the shop (Postal Affairs Department 2007).

- 3- The third level is Business centers which are mainly directed to provide postal services to business customers. 380 Business centers situated in industrial areas are owned by Posten (Posten AB 2009a). A wide assortment of postal products, services and customer service are provided in Business Centers. The service is offered five days a week from 7 a.m. to 7 p.m. (Postal Affairs Department 2007). Finally there are 2, 500 (Posten AB 2009a) rural postal offices which offer delivery service to 735 000 individuals and 5 000 business (Postal Affairs Department 2007).

Posten accounts 3,370 buildings in Sweden. Posten has 38, 000 collection boxes fixed to the ground situated outside the outlets. Collection boxes are placed in areas where there is greater influx of people and business zones. For distribution Posten has 7,000 postal bicycles, 1509 motorbikes, 5,300 vehicles for Posten carriers, 1701 heavy-duty distribution vehicles and 938 trucks, trailers, swap-bodies and swap-body trucks (Posten AB 2008). Posten has invested 900 million SEK in the restructure of its network (Af Geijerstam 2002).

2.9 Reaching Corporation Critical Mass with Posten Norden: The Merger between Posten AB and Danish Posten

Posten and Post Danmark envisaged that customers' requirements have changed from local to regional and international service demands. It highlights that regional companies have more impact in the market than a single company in one country. Thus Posten and Post Danmark came up with the idea to create a joint company that offers cross border postal services and logistic services within the Nordic region to expand their postal business and become more competitive in the market. The new company is Posten Norden (Posten Norden AB 2009).

2.9.1 Recent Merger's Decision

The last agreement for the merger between Posten AB and Post Danmark A/S was held in February 2009 by Swedish Ministry of Enterprise, Energy and Communications and The Danish Ministry of Transport. The merger is a strategic response of both companies to cope with the increment of competition, internationalization of the service, electronic communication and liberalization process of the European postal market (Posten AB 2009b; Post Danmark 2009b).

Posten and Post Danmark wanted to create a company that integrated their peculiar conditions. This means to combine Posten's knowledge on operations in a fully liberalized market and the ownership

characteristics of Posten Danmark² (Posten Norden AB 2009). Both companies attempt to develop opportunities to grow and build economies of scale in a larger market. Also they pursue to improve their competitiveness and leadership as a sole company in the Nordic area. Both companies want to offer a quality service of mail, parcel delivery and information logistics reaching all individual and business customers in Sweden and Denmark. At the same time Posten and Post Danmark ensure the provision of the universal postal service within their territories (Posten AB 2009b; Post Danmark 2009b; Posten Norden AB 2009).

European Union Commission has approved the creation of this new company in April 2009 which went forward the completion of the merger process (Posten AB 2009c). In June 2009 the merger was completed. Both states exchanged their Posten and Post Danmark shares for Posten Norden shares. At the end of the merger process Posten paid the Swedish State 1, 400 million as dividends. Posten Norden is owned in 60% by Posten and 40% by Post Danmark (Posten AB 2009b; Posten Norden AB 2009).

2.9.2 Business Divisions

Posten Norden has its main offices in Solna Sweden. The company is structured by four businesses divisions. (1) Posten operates Posten Meddelande. (2) Post Danmark operates Breve Danmark. Both companies will serve under their respective national entities and legislation. (3) One division of the merged company will be in charge of the logistic services with a common brand. (4) Strålfors and other information logistics services and graphical business will be managed under the division of Information Logistic Business. A general and common executive group manages and coordinates the divisions (Posten AB 2009b; Post Danmark 2009b).

Posten Norden is oriented to individual and businesses customers and provides postal solutions under the premises of customer orientation, profit creation and performance orientation. As a result Posten Norden offers services with attributes such as: well done services and just in time, competitive price, reliable, fast and efficient services. Posten Norden services are delivery of letters, periodicals, and direct advertisement in Sweden by Posten Meddelande and in Denmark by Breve Posten. Business unit Logistics is in charge of sorting, transporting, storing and delivering of parcels, pallets and logistics in Sweden, Norway, Denmark, Finland, Germany and the Netherlands. Customer receives support whether they want to ship a parcel or they want wider logistic services. Information Logistics unit offers a business to business channel to send information to customers by printing and enveloping, communicating crucial business information through electronic means, cards (SIM cards,

² Post Danmark's shares are distributed among Danish State by 75%, CVC Capital Partners by 22% and its employees by 3% (Thomsom Reuters, 2008).

transportation cards, loyalty and gift cards) within markets in Sweden, Denmark, Finland, Norway, United Kingdom, France, and Poland (Posten Norden AB 2009).

Posten Norden will compete with City Mail (Posten Norway) for the mail segment in Sweden and Denmark; DHL, Schenker and Bring Logistics which are located in Nordic segment for logistic solutions and Itella in information logistics segment (Posten Norden AB 2009).

The joint company will produce each year 45 billion of Swedish crowns in sales. Currently Posten Norden handles 30 million of postal items and 500, 000 parcels each day from Monday to Friday. Posten Norden has 23, 000 mail carriers who reach 40, 000 post boxes in Sweden and Denmark. The company distributes parcels in 4, 200 points in Sweden Denmark, Finland and Norway. Posten Norden gets jobs to 50, 000 persons. In Sweden and Denmark Posten Norden has 1, 600 outlets and 140 post offices and 600 shops (Posten AB 2009b; Posten Norden AB 2009).

2.10 Branding Posten Norden

Posten's brand is base on the provision of an accessible, world-class and value-add service with an affordable price (Posten AB 2009c). To strengthen its brand Posten emphasizes its capabilities, experience and leadership in the messaging and logistics businesses in Sweden, within the Nordic area and around the world. Posten's service is marketed as a service with quality, reliable, secure, fast and cost effective from single mail pieces to major logistic solutions customized to the client (Posten AB 2009c). Posten's Competitive advantage among competitors is laid on the combination of electronic communication in traditional postal services which are be incorporate into the business processes of the customers (Af Geijerstam 2002).

Posten launched a marketing campaign to improve Posten's service image using visual figures such as collection boxes, blue and gold logos in mail trucks and signs outside outlets and offices (Rogovsky et al. (eds.) 2005). Posten also gave uniforms to their employees to be recognized by the public (Af Geijerstam 2002).

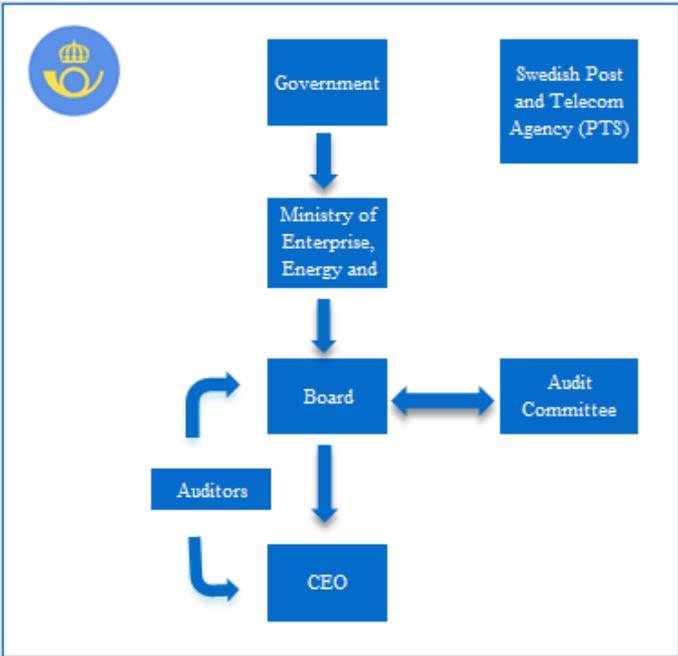
Finally, Posten's brand embraces a service that is one of the best in the world. This is demonstrated by a phrase that people utilizes to recognize the quality of Posten's service: "*Safe as a letter at Posten*" (Rogovsky et al. (eds.) 2005).

Posten AB underwent transformations in its structure and operations. In order to be competitive, profitable and to shape the offering towards customers’ demand and preferences, Posten AB divided its operations and organization into four business segments: (1) Posten Meddelande, (2) Strålfors, (3) Posten Logistik and (4) Svensk Kassaservice (Posten AB 2005). In the following chapter will go over Posten AB’s governance and its different business segments to report on the business models that characterize them as well as the competition analysis of each business segment.

3.1 Posten AB governance and structure

As mentioned before Posten AB is property of the Swedish State. Increment of the financial value of the State’s equity is entailed to Posten. The equity represents 600 million SEK distributed in 600, 000 shares with a price of 1,000 per share. To come into agreements and to make decisions about the general administration of the company the State and Posten conducts a general meeting each year. In this meeting, on one hand Posten is represented by Posten’s Board of Directors and by the other hand the State is represented by the Minister for Enterprises and Energy (Posten AB 2009a). The Minister regulates Posten in regard to corporate governance through the owner’s policy. The owner’s policy is directed to achieve financial development, constitute the board of directors and report corporate information (Posten AB 2008). The structure for the governance of Posten is illustrated in *Figure 3*.

Figure 3 Governance structure of Posten AB

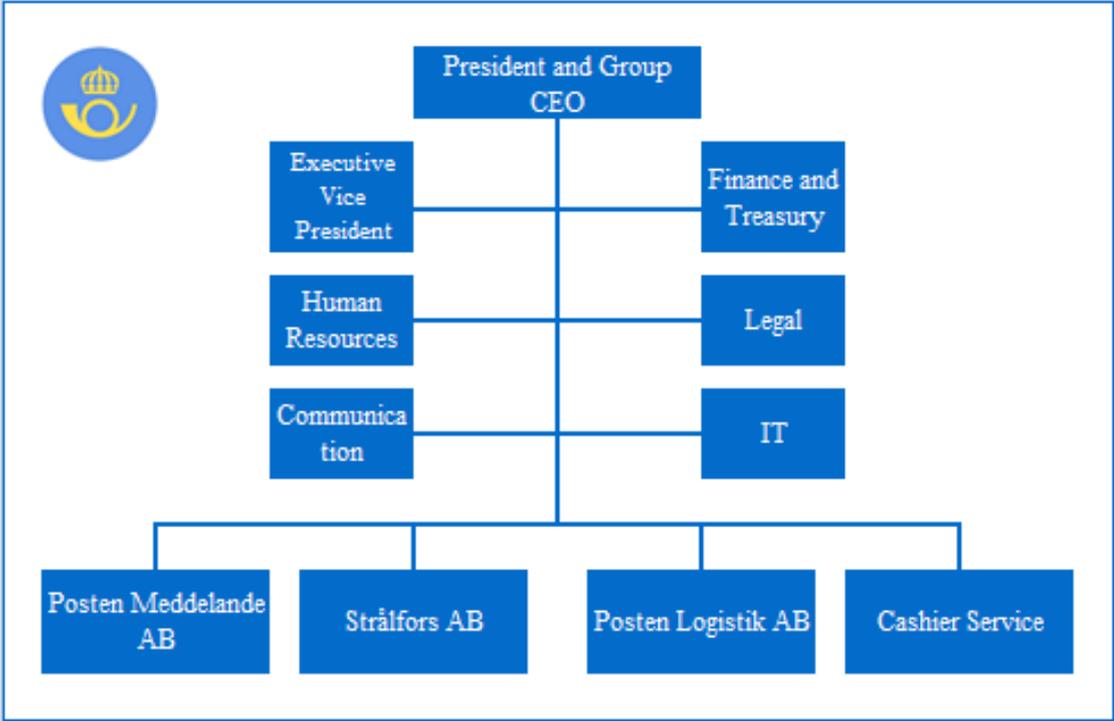


The Board of Directors, as shown in *Figure 3*, establishes procedures to describe roles, tasks and responsibilities of the Chairman, Chief Executive Officer (CEO) and Board members. The Board of Directors distributes its information based on the Minister’s guidelines. Posten is also regulated by Swedish Post and Telecom (PTS) (Posten AB 2008).

The Board of Directors is supported by an Audit Committee that is conformed for at least 3 member of the Board. Audit Committee fulfills an auditing plan to examine Posten’s work. The Committee reviews external auditor's reports to ensure that the information reported by the external auditors about Posten activities is profitable and objective. The external auditors are third parties assigned for four years by the annual general meeting terms. External auditors present their findings and assessment of financial results and management of the Board and CEO. Since 2007 Ernst & Young AB has been the external auditor (Posten AB 2008; Posten AB 2009a).

The CEO and the management team form the executive management organism. This organism looks after the administration of the whole company following rules and procedures stated by the Board. The executive management takes decisions and control procedures and supervises operations. Besides the CEO the executive management is formed by the president who heads the structure and six corporate units. The corporate units are executive vice president, corporate managers of Finance and Treasury, Human Resources, Corporate Strategy, Communication, Legal and Information Technology and the executive vice presidents for Posten’s subsidiaries (Posten AB 2008). The organizational structure of Posten is described in *Figure 4*.

Figure 4 Posten AB Organizational Structure.



Executive management depicted in *Figure 4* brings off general operational and business activities over its four subsidiaries. In this way the Executive management seeks for consensus and cooperation between the subsidiaries. Executive management conducts control of operations, decision making process and overall administration of the business in the easiest possible mean (Posten AB 2009a) in order to improve Posten's competitiveness (Posten AB 2007c). Also each corporate unit which conforms the executive management carries on specific managerial tasks that will be following describe (Posten AB 2009).

The **Executive Vice President** is responsible for (1) the management of corporation's alliances, (2) national and international postal regulations, (3) the acquisitions of real estate and property and (4) department of quality and security (Posten AB 2009b).

Finance and Treasury tasks are (1) to set financial plans and controls for the company, (2) to carry accounting processes and audits, (2) to manage group's finances, strategic improvement and (3) to manage corporation's risk (Posten AB 2009b).

Human Resource unit in charge of (1) hiring personnel, health issues and laws and agreements affairs and (2) provides policies to ensure good work conditions for employees (Posten AB 2009b).

Legal unit functions are (1) to give legal analysis and advice to the corporation, (2) to elaborate contracts and hold businesses negotiations (Posten AB 2009b).

Communication aims to improve and organize the internal and external communication in order to increase the group's confidence (Posten AB 2009b).

Information Technology manages the technology group's operations and the technology requirements, standards and plans necessary for the company (Posten AB 2009b).

Executive management communicates plans and supervises the application of them in each of the subsidiaries or business segments. Posten's subsidiaries: Posten Meddelande AB, Strålfors AB, Posten Logistik AB and Svensk Kassaservice (Posten AB 2009a) achieve a certain degree of collaboration. In the next part, it is described in detail the degree of collaboration of each subsidiary and also the autonomy of its operations.

3.2 Posten Meddelande AB

Posten Meddelande has the infrastructure to dispatch letters, periodicals and direct mail to reach Swedish individuals and business addressees (Posten AB 2009b). Principal task of Posten Meddelande is to ensure a secure and efficient communication channel between Posten's customers and their customers. Posten Meddelande looks for the development of its services and products through analysis

of customer demand. This last led to Posten Meddelande to restructure its services and operations to electronic communications (Posten AB 2009a).

The principal source of revenues for Posten is letter mail (Posten AB 2004). Posten Meddelande encounters continues reductions in the physical letter volume. This is outlined in its sales which were 9, 786 million SEK in 2008 compared with 9,968 million SEK in sales in 2007 (Posten AB 2009a). The volume decline of letters is attributing to competition and customers' necessities (Posten AB 2009c). City Mail represents a defiant competitor for Posten Meddelande since City Mail has positioned itself in mail services for companies within the biggest cities in Sweden (Posten AB 2007c). As these cities are the most profitable and include large number of customers, Posten underwent decreases in its demand (Edström & Sabel 2005). On the other hand, consumption behavior was changing. The development of technology and the increasing possibilities to communicate drove customers to look for electronic communication. Electronic communication replaced traditional mail services and it made the physical distribution just one part or the whole service (Posten AB 2007c).

In the context of this quick expansion of City Mail operations and service substitutions, Posten envisaged that the market of its key service was evolving (Posten AB 2007c). Posten recognized that it was compulsory to be flexible to rapidly transform and adapt its business model to new organization structure, knowledge, working processes and alternative IT sources and suppliers (Edström & Sabel 2005). Posten gave its core business of traditional letter delivery a different direction in a changing market. Posten invested, outsourced and made alliances with technology suppliers which gave the know-how to develop a new portfolio of services and products around the concept of electronic messages. For this intent, Posten aimed its operations to e-letter service for corporate customers which includes electronically handling their administrative mail and documents such as bank statements, invoices, salary statements and bills. Below it is described the process for Posten's e-letter service (Edström & Sabel 2005).

Overall the process starts when the customer sends a document to a Posten's production centers by electronic means. After the electronic file is printed, enveloped and distributed (StreamServe Inc 2009). To this intent Posten has agreed with StreamServe a license to manage the supply and delivery of e-letter to integrate technology to its services that Posten is not able to develop inside the company (StreamServe Inc 2002). In this agreement Posten entails the handle of electronic documents to StreamService (StreamServe Inc 2009). StreamService runs an Enterprise Resource Planning (ERP)³. This is a management system platform to monitor the process of electronic mailing system from

³ In a broad sense, an ERP system is software that brings together all departments and functions data of the company in a one computer system to storage, process, retrieve and distribute information to fulfill the needs of each department within the company (Hedman & Kalling 2002, p. 191)

beginning to end. StreamService possess its own patent of the platform and use it to perform product and process’s research and development (StreamServe Inc 2006). The platform that StreamServe provides is produced to handle great amounts of mail documents that Posten receives from its customers. Streamserve service includes technical assistance, project designs; software development and implementation, training and technical support (StreamServe Inc 2009). Below in *Figure 5* is illustrated an example of the Posten’s model of e-letter service for its customer Securitas Direct.

Figure 5 Business model for Posten’s e-letter service

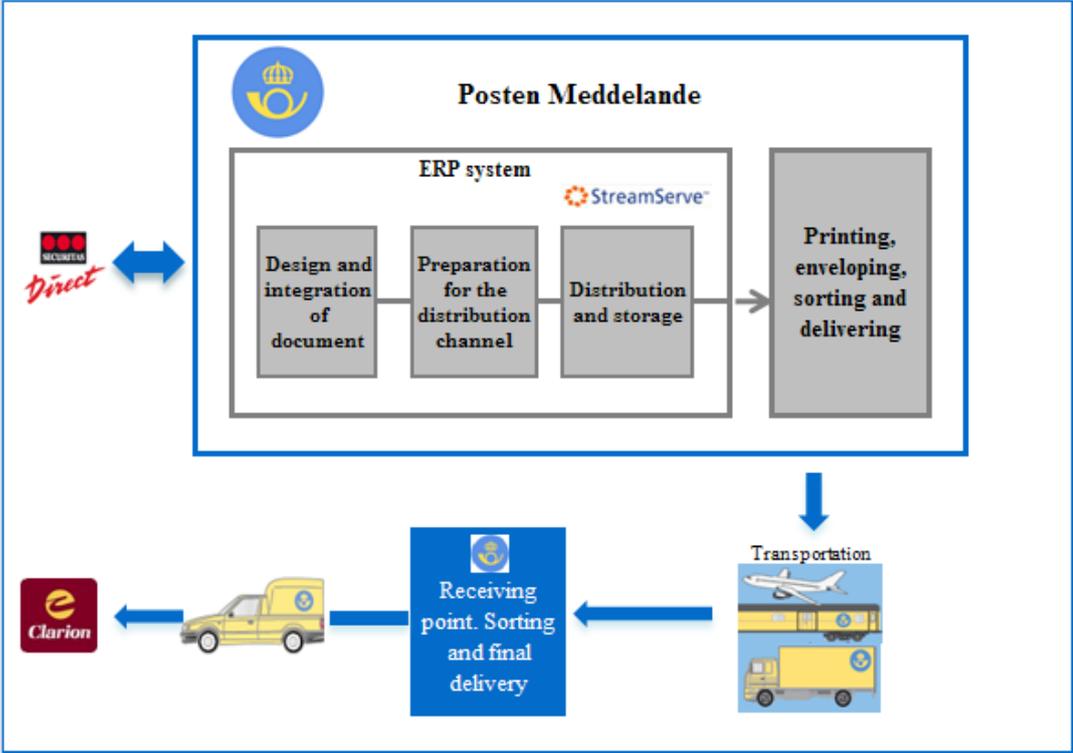


Figure 5 depicts an example of Electronic Services that Posten is delivering to its customer through Streamserve:

Posten’s customer Securitas Direct (here after SD), an alarm and security service company, contracts Posten service for the delivery of its invoices to its customer Clarion Hotels in Sweden. SD creates a model with its specific data which sends through “Posten Enabler” the web-base interface designed to send the inbound data from SD’s computer to Posten production centers. The StreamServe platform brings the data together and creates a single, virtual document with the characteristics and specifications stated by SD. Two drafts are printed to be approved by SD. After the approval the document is prepared to be printed. The output data is printed, enveloped and sorted. The letter is shipped by train, truck and/or airmail to the receiving center. In this center the letter is sorted again and designated to the post man. Then the letter is delivered by Posten mail carriers to Clarion Hotels. Posten stores a profile of the SD request, preferences, formats and distribution channel in order to

automate future deliveries to Clarion Hotel and streamline time and resources (Posten AB 2009a, 2003, 2001; StreamServe Inc 2009).

SD shall register as customer with Posten to contract the service. SD pays by an electronic invoice sent from Posten a base price of e-letter production that includes a rate per sheet of paper printed in one side. SD also pays the physical distribution of the letter with postage prices that are congruent with the price list for letter delivery with a discount for diminutions of manual handling (Posten AB 2009d). Posten bears the cost of StreamServe platform with a quota paid in advance for the usage of license. Posten pays a fee established by the amount of documents managed in a period of one year and a yearly fee for support. Posten reports to StreamServe the volume of items operated in order to make the turnover. An extra charge is applied if Posten misinform or incurs in errors when reports its earnings (StreamServe Inc 2009).

Posten Meddelande has gained more customers, fulfilling electronic communication demand integrating Streamserve platform into its core business to achieve cost-effective, quality and just-in-time service (StreamServe Inc 2009).

Competition Analysis:

As mention before, Posten Meddelande's main competitor is the company City Mail (Posten AB 2009a). This section will describe the business model of City Mail and the action plans that Posten is following in order to make its offer the first and unique choice among other competitors (Posten AB 2005, 2007, 2001).

City Mail delivers physical mail and direct mail to 2 270 000 individual and business customers via mailbox in Stockholm, Gothenburg, Malmo and Gotland. City Mail Group AB is a parent company of City Mail Sweden AB, City Mail Denmark AB and City Mail International which delivers letters worldwide. City Mail delivers administrative letters, address direct advertisement and newspapers. The company is specialized in computer-sorted mail by post number order. City Mail does not use sorting machines. Mail is sorted instead by the customer and printer companies. Customer hands in the letters to one of City Mail's centers in Stockholm, Gothenburg or Malmo. In these centers the mail is divided in two by the zip code of the recipient. The three first numbers of the post code will determine the region to be sent. After that the mail is sent to the respective City Mail center. There mail is sorted by the last two digits of the post code. The letter is assigned to one postman. Finally the mail is delivered by the postman to the final addressee. For this intent the company employs 1, 400 persons who dispatch 300 million items. It represents 700 million SEK per year. Mail City has 12% of the total letter market in the territory (City Mail Sweden AB 2008). City Mail also operates in Denmark (Posten AB 2007c). It reaches 40% of the Danish population which represents around 1 million individual and business customers in Copenhagen area (City Mail Denmark AB 2009a, 2009b). It expects to have also 12% of the Danish market in a medium term. Since 2006 City Mail has grown

between 3% and 7% each year. These positive results have motivated City Mail to expand to other cities in Sweden such as Helsingborg, Stenungsund, Alingsås, Sigtuna, Mälardalen, Uppsala, Västerås, among others. City Mail is also planning to expand to Nordic areas (Posten AB 2007c). City Mail's customers are mainly Swedish enterprises and multinational companies that have operation within Sweden. City Mail pursues to help companies to communicate and strength relationships with their customers and to find new customers through City Mail's services and the mailbox as an effective and important communication channel (City Mail Sweden AB 2008). City Mail strategy is based on customer's value. City Mail ensures that when customer acquires the services the mail will be distributed with great precision to the end customer. This means that the customer will know what will be delivered, who will receive and exactly on which day. City Mail offers to deliver mail within three days and the customer will know in which day the item will reach the addressee. Also City Mail offers customer support from the whole team of the company for regular mail issues and for any problem occurred in the delivery process. City Mail disposes a customer web page where the customer can log in and access to their contracts, invoices and order history (City Mail Sweden AB 2009a).

City Mail competitive advantage is to offer Målgruppskartan (or Target Group Map) to help its customers to reach new clients and improve communication with the actual ones. Målgruppskartan is a database with statistical information about customers in Sweden to help City Mail's customers to plan their target market. City Mail's customers are able to select their potential clients by geographic location, by real state ownership, by age, gender and family structure, purchasing power and education and job preferences. Målgruppskartan has information about small companies and their activities as well. Further, if City Mail's customers have already a client portfolio, they can register this portfolio in Målgruppskartan. The database geographically sorts the best clients for City Mail's customers. City Mail's customers can offer similar products or service to neighbor consumers of those clients to get them also as customers. City Mail's customers can design two marketing campaigns for new and current consumers without interfering between them. Finally, City Mail sells individual or business addresses to its clients (City Mail Sweden AB 2009b).

As a response, the competitive advantage of Posten Meddelande is its first-class delivery quality which means that Posten Meddelande reaches almost every individual and business addressees in Sweden. It represents 900, 000 enterprises and 4.5 million households including rural addressees every working day. Posten Meddelande through its outlets network offers accessibility, convenience and ubiquitous services to its customers in Sweden. Posten Meddelande continuously looks for and holds partnerships with other companies and postal operators in order to expand its network of distribution in Sweden, in Nordic area and the rest of Europe. This is critical to extend its customers base national and internationally. Posten wants to growth in parallel with those business customers that are introducing and expanding in other markets (Posten AB 2004, 2007c, 2009a). Posten Meddelande's customers are business including enterprises, direct mail, e-commerce companies, banks, financial and publishing

organizations (Posten AB 2009c). Table 2 depicts Posten Meddelande's main customers and countries where they are operating together with Posten Meddelande in the Nordic region.

Table 2 Main Posten Meddelande's customers in Nordic Countries

NORDIC COUNTRIES				
SECTOR ¹⁾	Sweden	Denmark	Finland	Norway
Banking	Skandinaviska Enskilda Banken (SEB) ⁺			
Direct Mail** and E-commerce	Klingen Batteriexperten ⁺ Mail Box Media ⁺ Svenska Spel Work of Art Malmo Body Kurser EFI Bradford Limited Kombilotteriet Ulla Popken Provea Lundaproduktioner Flexifront IKEA	Klinge Batteriexperten Mail Box Media Kurser EFI Lundaproduktioner	Klingen Batteriexperten Mail Box Media Kurser EFI Lundaproduktioner	Klingen Batteriexperten Mail Box Media Kurser EFI Lundaproduktioner
Energy and utilities	Vatenfall	Vatenfall	Vatenfall	Vatenfall
Financial organization	Freedom Finance BlueStep Bostadslan			
Enterprises	ISS Tra V-Tab Color Print Atendo care	ISS Tre Atendo care	ISS Atendo care	ISS Atendo care
Publising Organizaitons	Group Sveriges Tidskrifter Allers Publisher Bonnier Publications AS Titeldata Dagens Nyheter Willow Tree Press	Allers Publisher	Allers Publisher	Allers Publisher
Retail stores	Stadium Arken Zoo Jysk	Stadium	Stadium	

*Companies' names in **bolds** mean that the main headquarters are located in that country.

**Posten AB (2008) defines Direct Mail as: "Direct Mail encompasses customer mailings and serves as a media channel within the directmarketing discipline. Businesses and households are the intended recipients of this class of mail".

1) Information was collected from each company's web page and Posten AB, 2004; 2005; 2006; 2007c; 2008 and 2009a).

Posten Meddelande structured its services with the most advanced technology to its traditional mail service to fulfill customer expectations for mail delivery and the increase of e-commerce (Posten AB 2006). Posten Meddelande goes beyond a mere service provider relation with its customers and presents instead business partnerships. Posten Meddelande collaborates closely with its customers in their business operations and value chain activities. Posten Meddelande looks after their entire management of internal, inbound and outbound mail. In this way Posten Meddelande is in charge of

mail managing that is essential for daily business practice in its customer's company. Furthermore, Posten Meddelande becomes an agent between Posten's customers and the customers' customers. Posten Meddelande reinforces this bond as it represents the image and business relationship of Posten's customers. Posten offers an efficient, reliable and well-priced, high-quality service. Hence, Posten Meddelande gives solutions to customers to outsource operations to an expertise and reduction of costs, to take advantage of bulk production and economies of scale, to improve their internal performance, to increase customer engagement to their products and services and therefore to optimize sales. With the partnership, Posten Meddelande offers to grow together with the customer to hold of opportunities and advantages of new and existing business in the increasing competitive markets (Posten AB 2000, 2004, 2005).

With the last strategy Posten Meddelande increases its presence in the market and augments profitability and competitiveness (Posten AB 2005). In addition, Posten Meddelande competes with other 30 small companies operating in Sweden. They handle direct mail, newspapers deliveries, and addressed postal items. The small postal operators made ventures to compete with Posten Meddelande in wider regions in physical distribution activities (Postal Affairs Department 2007).

3.3 Strålfors AB

Strålfors is a company focused on management of information and graphic design for business customers (Posten AB 2009b). Strålfors is an IT company which main task is to offer key process for the development and delivery of information decisive for its clients. Strålfors' services include e-letters, digital and standard printing and enveloping services, distribution services, tailored plastic cards, Business to Business and Business to Consumer electronic communication, adhesive labels, brochures, office and computer consumables, gaming slips, pools coupons and train tickets (Posten AB 2007c).

Competition analysis:

Strålfors operates in eight countries in the Nordic and European regions: Sweden, Norway, Denmark, Finland, France, Switzerland, Great Britain and Poland. Customers in these countries are leading companies in sectors of banking, insurance, energy, government, pharmaceuticals, telecommunication, lottery and gaming, retail stores, and automotive companies (Strålfors AB 2009a; Posten AB 2009b). Customers prefer Strålfors services among other competitors because Strålfors offers the technology which gives a wide range of options to communicate with their customers. Strålfors' customers consider the service has low price it is specialized and trustworthy. They are confident that the document will be delivered as they require it to the right person at the right time. With Strålfors, customers improve their service performance and products and improve communication with their customers. Furthermore Strålfors' customers reduce their costs and operation time which in turn make

them more competitive and cost effective among their own competitors. Strålfors opens new possibilities to their customers to develop new strategies to communicate with their actual customers and to reach more people that represent potential customers (Sterner 2009).

Table 3 shows Strålfors' main customers and countries where they are operating together in the Nordic and continental European region.

Table 3 Main Strålfors' customers in Nordic and European countries

NORDIC COUNTRIES				
SECTOR ¹⁾	Sweden	Denmark	Finland	Norway
Banking	Danske Bank Nordea* Handelsbanken* EDB Business Partner Payment Business Services (PBS) Cerdo Bankpartner*	Danske Bank* Nordea Handelsbanken EDB Business Partner Payment Business Services (PBS)	Danske Bank Nordea Handelsbanken Payment Business Services (PBS)	Danske Bank Nordea Handelsbanken EDB Business Partner* Payment Business Services (PBS)
Insurance	Swedish National Social Insurance Board			
Energy and utilities	EuroShell ABB E.ON	EuroShell ABB	EuroShell ABB E.On	EuroShell ABB
Government and Organizations	National Swedish Road Administration Swedish Golf Fed. Direct Marketing Industry Organisation (SWEDMA)			
Pharmaceuticals	Astra Zeneca Novo Nordisk Tamro Health Care	Astra Zeneca Novo Nordisk	Astra Zeneca Novo Nordisk	Astra Zeneca Novo Nordisk
Telecommunication, Transportation and Media	Scandinavian Airlines (SAS) Vodafone Telia Sonera Canal Digital Telenor Sweden State's Railways (SJ) Swedish Skånetrafiken	Scandinavian Airlines (SAS) Vodafone Telia Sonera Canal Digital Telenor State's Railways (SJ)	Scandinavian Airlines (SAS) Vodafone Telia Sonera Canal Digital	Scandinavian Airlines (SAS) Vodafone Telia Sonera Canal Digital Telenor Norway Chess Communication
Lottery and gaming	Aktiebolaget Trav & Galopp (ATG) Svenska Spel	Aktiebolaget Trav & Galopp (ATG) Danske Spil	Aktiebolaget Trav & Galopp (ATG)	Aktiebolaget Trav & Galopp (ATG) Norsk Tipping Norsk Rikstoto
Retail stores	IKEA Coop Norden Järniakedjan	IKEA Coop Norden	IKEA	IKEA Coop Norden AB
Automotive Companies	Volvo SAAB	Volvo SAAB	Volvo SAAB	Volvo SAAB

*Companies' names in bolds mean that the main headquarters are located in that country.

¹⁾ Information was collected from each company's web page and Strålfors AB, 2009.

Table 3 Main Strålfors' customers in Nordic and European countries (continued)

OTHER EUROPEAN COUNTRIES				
SECTOR ¹⁾	France	Switzerland	United Kingdom	Poland
Banking			Danske Bank EDB Business Partner	Danske Bank
Insurance			Stonebridge International Insurances Ltd*	
Energy and utilities	EuroShell ABB	EuroShell ABB*	EuroShell ABB Southern Water*	EuroShell ABB
Government and Organizations			National Health Service	
Pharmaceuticals	Astra Zeneca Novo Nordisk	Astra Zeneca Novo Nordisk	Astra Zeneca Novo Nordisk	Astra Zeneca Novo Nordisk
Telecommunication, Transportation and Media	Scandinavian Airlines (SAS) Vodafone	Scandinavian Airlines (SAS) Vodafone	Scandinavian Airlines (SAS) Vodafone	Scandinavian Airlines (SAS) Vodafone
Lottery and gaming	Aktiebolaget Trav & Galopp (ATG) Jeux Pari Mutuel Urbain (PMU)		Camelot	Aktiebolaget Trav & Galopp (ATG)
Retail stores	IKEA	IKEA	IKEA	IKEA
Automotive Companies	Volvo SAAB	Volvo SAAB	Volvo SAAB	Volvo SAAB

*Companies' names in **bolds** mean that the main headquarters are located in that country.

¹⁾ Information was collected from each company's web page and Strålfors AB, 2009.

Strålfors has a strong position in the Nordic market. Strålfors competes with international companies in the Nordic region and Europe for electronic communication. Even these companies has expanded in other countries, regions and continents, they still are leaders in their own local market. The market for information logistics represents a value of 40 billion SEK (Posten AB 2009a). Strålfors has 3.8 billion SEK in sales which is 9.6% of the total market value (Posten AB 2009a). The principal competitor for Strålfors is Itella (Posten AB 2007c) Itella has 2.5 billion SEK in sales which is 6.2% (Posten AB 2009a). Itella is a company owned by the Finish Government. The company is organized in Itella Mail communication, Itella Logistics, Itella Information and NetPosti Service unit. In particular, Itella Information operates in east and central Europe and Nordic region (Itella Corporation, 2009c). 12% of Itella operations are directed to information logistics market (Itella Corporation, 2009a). Itella Information offers services for invoices. Itella Information collects, processes, archives the information and delivers the invoices to individuals and business customers on paper and electronic channels (Itella Corporation 2009c). It employs 1,923 workers and transfers 90 million documents and 105 million of electronic letters are produced. In first quarter of 2009 Itella Information sold its business centers in Sweden decreasing its net sales due to diminutions of the demands (Itella Corporation 2009b). Itella Information is investing in the improvement of its

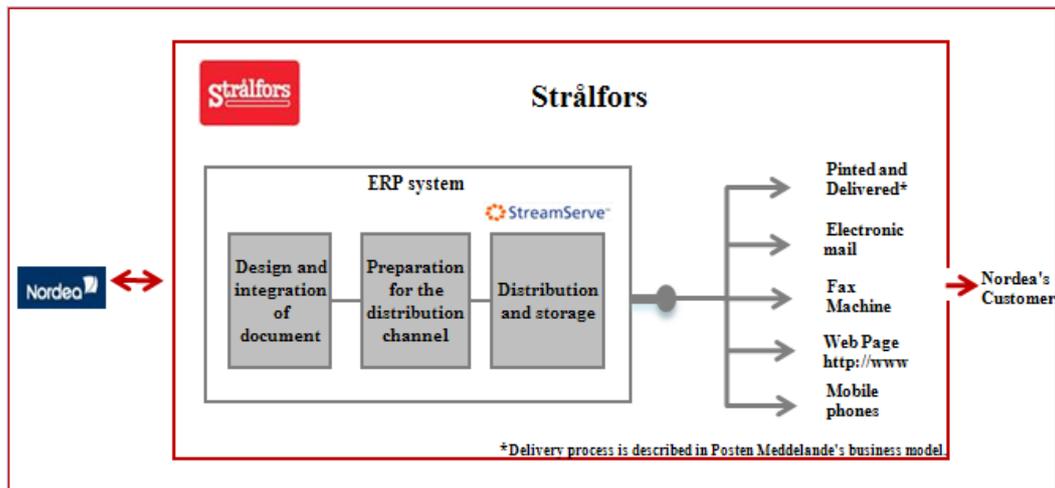
operations and production methods by acquisition of machinery, equipments, buildings and IT systems. Also, Itella is expanding its service portfolio to other financial processes such as financial statements, accounting, payroll accounting and debt collections. More, Itella is developing its delivery network through acquisitions, joint ventures and partnerships in Finland Poland, Norway, Slovakia and Russia (Itella Corporation 2009a).

As a response, in order to keep its position in the market and to expand its network in some other European countries, Strålfors has made alliances, joint ventures and agreements with different suppliers to outsource the technology and resources that Strålfors needs in order to offer its quality service to its customers. As an example Strålfors is investing in a new plant in Poland that gives Strålfors a major volume capacity and low cost operations (Posten AB 2009a). Strålfors' strategy is to joint with other successful businesses that are potential competition with Strålfors in some part of its value chain and which compete for the same customers in a country and/or region. This strategy is aimed to consolidate Strålfors' offers with other business' offers to strength the brand, service and products of both companies. The joint relation makes possible to share and increase the volume of their customers and to gain presence and position in the market. Thus, both companies have opportunities to grow and get benefits (Sterner 2009).

On the other hand the application of its unique technology to its core services has differentiated Strålfors among competitors (Posten AB 2009a). Strålfors controls the technology that permits customer and customer' customer to select the way they prefer to send and received their information. Strålfors offers to its client the possibility to choose different channels to deliver their documents such as traditional physical means for printing mail items and by electronic means. Electronic means includes sending documents by e mails, to individual internet web pages, sending messages to cell phones, sending video messages, storing information in plastic cards and SIM cards and archiving electronic document for Strålfors' customer's internal control (Posten AB 2008). Strålfors offers the option to combine two or more of these communication channels and to integrate many documents in one single delivery. Strålfors' customers may send their core information but also their marketing information or other important document in one envelop e mail and/or message to each client. This gives flexibility to Strålfors' customers to adapt its documents and information to their customer's demands and preferences. For electronic information, Strålfors ensures that the message comes to the right customer in the right time (Sterner 2009). For Physical mail, Strålfors is able to present a complete delivery chain through Posten facilities and resources. In this way its customers do not have to outsource this last part to a different supplier. Thus they save time and resources (Sterner 2009). Strålfors together with Posten combines activities to present Strålfors' flagship service of information technology for their customers. Posten and Strålfors share the IT platform and printing facilities in Ljungby, Solna and Sundsvall (Posten AB 2007c). The process follows the same course as described

in Posten Meddelande section above. In *Figure 6* I depict the Strålfors' business model for its customer, Nordea Bank AB.

Figure 6 Business model for Strålfors' information technology service.



As described in *Figure 6* the Swedish bank Nordea is one of Strålfors' main clients. Strålfors outsources the delivery of Nordea's account statements to its individual customers. With support of Streamserve platform, the data is electronically sent by Nordea's systems to Strålfors process center. The file is integrated in the established format and is reviewed and prepared for the distribution channel. The deliver is both by electronic and physical means in accordance with Nordea's customer preferences. The output data is delivered by email, fax, online or text messages to mobiles or a combination of them. Further the statements are printed, enveloped, sorted and delivered by Posten mail carriers to Nordea's customers (Posten AB 2007c). The compensation process was mention before. Nordea liquidate a fee for the volume of sheets processed and sent electronically and for the actual delivery of the statements according to Posten's letter price list with the corresponding discount (Posten AB 2009d). Strålfors pays to Streamserve the license rights in advance, the volume of documents managed and support services per year (StreamServe Inc 2009). Strålfors is a leader of this technology platform, delivery services and networks in eight countries. Strålfors has aggregated value to the service portfolio, has improved its quality, reduced costs and obtained specialization. In this manner Strålfors is profitable and competitive in the information technology market (StreamServe Inc 2009).

3.4 Posten Logistik AB

Posten Logistik is a subsidiary of Posten which provides freight forwarding and courier services for parcels, pallets and express deliveries within Sweden and abroad. Posten Logistik concentrates its

activities mainly in business customers and their individual customers in the Nordic area, in Sweden, Norway, Denmark, Finland, Germany and Netherlands. Principal customers are distributors of footwear and cloths, suppliers of office consumables, mail order business, electronic sales and book publishers. Posten Logistik pursues to be the first and essential choice of transportation services for customer needs in the Nordic region (Posten AB 2009c).

Competition in Freight and Logistics:

The number of competitors in the logistic of parcel and pallets is greater. Competition in this market is tough considering carriers are making partnerships and creating networks to offer their services to more extent areas and more customers (Posten AB 2005). Major competitors for Posten Logistik are DHL (Deutsche Post), GLS (Royal Post, UK), TNT (Netherlands), GeoPost (La Poste, France), FedEx (United States), UPS (United States) and Schenker (Germany) (Posten AB, 2007c). Competitors' operation figures are described in *Table 4*.

Table 4 Operation facts of Posten Logistik's competitors

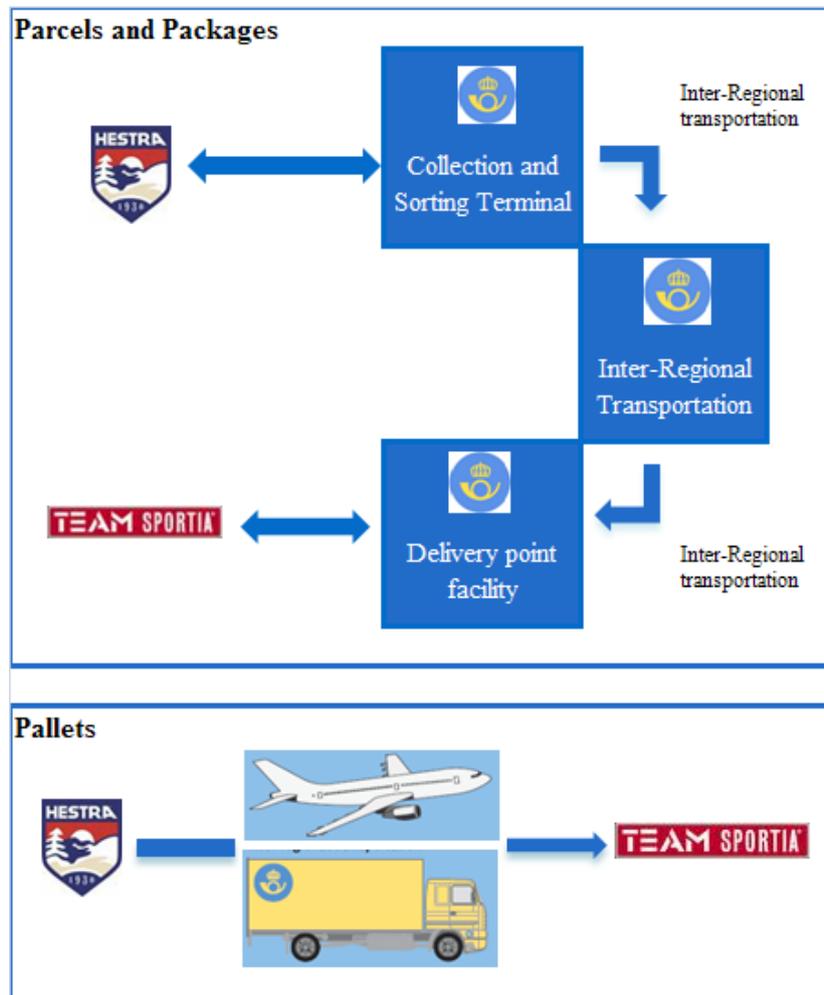
Carrier	2008 Revenues € billions	Operations in # countries	Consignments millions/ year	Company Size Employees
DHL ¹⁾	41	220	4,969	285,000
UPS ²⁾	35	200	3,920	426,000
FedEx ³⁾	26	220	1,697	280,000
Schenker ⁴⁾	19	130	Not available*	91,000
TNT ⁵⁾	7	200	230	75,537
GeoPost ⁶⁾	5	230	550	20,000
GLS ⁷⁾	2	36**	350	13,000

*Schenker freights 72.3 million shipments, 1.4 million containers and 379.9 million tons volume freighted. ** GLS only operates in European countries.

¹⁾DHL International Ltd, 2009. ²⁾United Parcel Service, 2009. ³⁾FedEx, 2009. ⁴⁾Deutsche Bahn AG, 2009. ⁵⁾TNT Holding B.V., 2009. ⁶⁾La Poste S.A., 2009. ⁷⁾GLS, 2009.

Posten provides traditional logistics services which encompass the collection, transportation, delivery and reception of parcels and pallets. Posten has acquired Direct Parcel Distribution franchise (DPD) that gives access to the largest parcel delivery network in Sweden, Europe and worldwide (Posten AB 2004). Therefore Posten has named its main service as DPD business parcel service. DPD business parcel consist on collection of the merchandise in the business customers facilities to be delivered to companies' doors (Posten AB 2009d). In *Figure 7* the business model of Posten Logistik is described, taking as example its customer Hestra.

Figure 7 Business Model for DPD service.



As described in *Figure 7* Posten collects the merchandise from Hestra to be delivered to TeamSportia stores all over Sweden. Hestra is a Swedish company which is dedicated to design and produce alpine gears gloves. If alpine gloves are in a parcel or package which weight is up to 35 kg, parcel is dropped off in a Posten service point. Here the parcel is sorted and prepared to be transported. Parcel is consolidated with other freight and transported by plane or truck to the Posten's regional service point in the province where TeamSportia shop is located. After, the parcel is transported by truck to the delivery point center nearest to TeamSportia. Finally Posten mail carrier delivers the parcel to TeamSportia shop's door (Posten AB 2004). On the other hand, if the alpine globes are in pallets Posten Logistiks collect the pallet from Hestra's facilities. Pallet is transported by air or truck between regions and delivered to TeamSportia shop's door. During the process Hestra can track and trace the shipment (Posten AB 2004).

To liquidate the service Hestra entails a credit agreement with Posten Logistiks. The agreement stipulates that the customer shall use the software EDI (Electronic Data Interchange) to send

electronically shipment instructions to Posten Logistik with the information about the upcoming goods before their physical clearance. Once the merchandise reaches any Posten's sorting terminal a notification is made in the system. Based on that information and the notification, Posten Logistik invoices the service acquired by Hestra. Service is charged by units up to 35kg and by volume if parcel exceeds this weight. Shipping is estimated at 280 kg/m³. The prices also are determinate by the time of delivery of the parcel, 9 am, 12 pm and 4 pm, being 9 am the higher charge. Finally Posten Logistik submits the billing electronically to Hestra and this in turn pay the invoice to compensate the service (Posten AB 2009d).

For International parcels and pallets Posten Logistik utilize the DPD network to deliver goods. The merchandise is sorted in Sweden, transported by plane or truck to a transportation center and forwarded to its service points in Germany and Netherlands. From here the merchandise is delivered within Europe and the rest of world. The service is charged by units, volume and the country of destiny. Billing process is made by EDI software and the service is paid as described before (Posten AB 2009c).

Furthermore, Posten Logistik looked to be in tune with the wide competition in parcel and pallets transportation. Posten Logistik wanted to take advantage of the raise in worldwide logistics and e-commerce. Posten Logistik pursued to augment and improve its service offer in the Nordic area and to bring growth to the company and competitiveness. For this intent Posten Logistik has invested and acquired in the past two years companies Tollpost Globe and Suomen Logistiikkatalo Oy. Tollpost Globe dispatches postal items in Norwegian territory. Suomen Logistiikkatalo Oy offers conveyance services and storage rooms in Finland. These companies work together with Posten Logistik to create a Nordic network to offers qualified distribution services. To this goal, Posten Logistik developed My Pack. My Pack delivers parcels and pallets in Norway and Finland for individuals and business clients. The process for freighting parcels and packages of business customers starts when the consignment is picked up from their facilities. Individual customers are able to drop off parcels and packages in one of My Pack centers. Then the parcel or package is sorted in Posten's centers. Posten Logistik utilizes its infrastructure to transport the item within Sweden and then the consignment is delivered to any 1,200 distribution points or agents in Finland or any 600 agents in Norway with My Pack logo. The process is made within 2 to 6 workdays. The recipient is notified by SMS or letter for picking up the parcel in the agents' facilities. The recipient must to show an identification to collect the parcel. The price of the consignment is calculated per parcel, weight and cubic meters for freight. Billing is made through EDI as already described (Posten AB 2007c, 2008, 2009a).

Posten Logistik offers secure and high-quality service for affordable prices. The process to acquire the service is simple and reliable. Around 90% of Logistik sales come from Sweden and Norway. Posten Logistik had 10 billion SEK in sales and handled 65.5 million of units in 2008 (Posten AB 2009c).

3.5 Svensk Kassaservice AB

Svensk Kassaservice is a subsidiary of Posten AB which provides for affordable prices billing and payments services in Sweden (Posten AB 2004). Kassaservice acts as intermediary between banks members (Nordea, Förenings Sparbanken, Länsförsäkringar Bank and GE Capital Bank) and their customers. Kassaservice processes financial transaction such as payments from and to the customer, check and bank deposits, electronic money transferences, international and national money transferences and payments. Kassaservice offers its services through 510 retail outlets and service points, 35 agents and 2, 500 rural postman who handled payments and bills (Posten AB 2007c).

Over last few years Kassaservice went through significant changes in customers' preferences (Posten AB 2007c). Kassaservice confronted a decrease in demand for its cashier services. This was promoted by the increment of credit and debit cards to make payments instead using cash. The use of automatic teller machines or ATMs to dispose money became popular. Regular banking services such as payments and transferences are made now by internet (Posten AB 2002). Thus volumes declined in Kassaservice and its costs rose. In response, Kassaservice received 400 million SEK as subsidy from the government (Posten AB 2004). Kassaservice closed down 845 service points and layoff personnel. Although these measures to improve its operation conditions, Kassaservice continued to report losses (Posten AB 2007c). Posten envisaged the idea to close Kassaservice. In 2007 a Parliament bill conferred the service to Swedish Post and Telecom Agency to be operated in rural areas where the postal service is not profitable. The government bill took effect from January 2009. Kassaservice closed its operations in 2008. Since 2009 Swedish Agency offers cash payments, cash disposition and business receipts to senior citizens and disable individuals in the rural areas (Posten AB 2009b).

3.6 Future Perspectives for Posten AB

Perspectives for Posten are favorable. Posten will continue to strategically response to the increment of competition, internationalization of the service, electronic communication and liberalization process of the European postal market. Posten Meddelande will continue to optimize its administration and operations through reduction of cost, automation of processes and improvement of distribution activities. Further Posten Meddelande will pursue to strengthen its partner outlets' relationship in order to offer a service which can be easy recognized, clear and accessible for all customers. In such a way Posten will augment quality of its service, presence in Sweden and profitability (Posten AB 2009a). Strålfors will center its strategies to improve its processes and to increase productivity by reducing costs and streamlining assets. Strålfors will continue to expand its customer portfolio and to create new options for business through strong marketing campaigns, improving delivery times, cost effective logistics and working together with its customers in order to reinforce its presence in the

Nordic market (Posten AB 2009a). Posten Logistik will continue to work closely with its customers to be the perfect alternative to strengthen and improve customers' logistic activities. Posten Logistik will be focus on constant growth of its world-wide network to take advantage of the dynamic dispatch of merchandise around the world. Posten Logistik will increase the favorable environment that electronic commerce is offering today. The last combined with Posten's networks composed by partner outlets in Sweden and distribution points in Finland and Norway (Posten AB 2009c).

Moreover, Posten AB and Post Danmark A/S started arrangements to become partners and create a joint venture company, Postal Norden. With Postal Norden, the group is anticipating the total liberalization of the postal market in Europe. Postal Norden is getting ready to more competition and to build up its position in postal services market in the Nordic region (Posten Norden AB 2009). Both operators put their strengths together to bring and ensure an excellent postal service which continues to satisfy customers' requirements. It is expected to effectively integrate resources, processes, finances, technology and overall administration in order to achieve significant reductions in costs and major savings in a long run. Further, Posten Norden will combine networks to reach a larger number of clients with wider range of services and products. Thus, both companies will increase profitability and competitiveness (Post Danmark A/S 2009a; Posten AB 2009a).

Overall, the conjunction of these action plans and strategies, Posten's healthy finances and strong position in the market will permit Posten to affront future risks and seize the opportunities that arise in the postal market (Posten AB 2009a).

CONCLUSION

Liberalization of Public Sector Services in Europe

Historically in Europe, the state took charge of the management of postal items. Postal providers held monopolies in the mail markets. The Government was the owner of postal company, having direct authority over its administration. The Government was in command of a rigid structure, well defined hierarchically but often incapable of swift changes. The Postal provider was in charge of the whole value chain of physical mail dispatch, controlling the domestic mail market. The regulation sustained in the national postal market rose barriers blocking the entrance of other operators. Only small and selected companies were able to take part in very specific activities such as sorting or transporting. Competition was scarce or nonexistent. Postal monopolies were administrated under political rather than business principles. Therefore operations of postal organizations carried inefficiencies, lack of quality, lack effective actions and lack customer-orientation policy which, financially, were often translated into significant deficits. In addition, postal monopolies inhibited investment and innovation. Postal monopolies made difficult to transform and adapt their operations to keep pace with the accelerating development of the postal market during the last 20 years (McKeown, Guiro & Soudakov 2002).

During the decade of 90's the postal market encounter important challenges. Those challenges were driven by technology development, changes in customers demand and the growth of logistic market. Logistic market was never regulated under monopolies (McKeown, Guiro & Soudakov 2002; McGowan 2001). Technology advances permitted to automate processes and parts of the mailing conveyance. Logistical technology offered the possibility to develop a wide range of products and services to reach more customers. Technology innovations together with the shifts in customer demands also questioned the efficiency of the postal service. Customers were more aware of the technology advances and its benefits. Hence their needs became more hi-tech oriented. Most of the customers were also businesses substituting the regular remittance of letters by new means of communications such as fax, internet and e-mails. They were fast and free of charge. On the other hand, the development of a logistic market brought in new freight companies. They held a fierce competition and were expanding locally and internationally (McKeown, et al., 2002). Furthermore, other sectors such as Telecommunications in Europe, typically owned by the State were already open to competition and paved the way for the liberalization of the postal market (Clermont 2002).

The European Commission and Liberalization of the postal Services

In this environment, the European Commission grasped the necessity to reorganize the postal sector to confront ongoing and future challenges. The European Commission pursued the liberalization of the European postal market trying to establish a common market where providers compete. It was expected that providers bring innovation and technology design to improve operations and to provide quality and assorted products and services at a low price for the customers. In 1997, European Commission released a Directive as a first step to gradually abolish postal monopolies in the States members of the European Union (McGowan 2001). Liberalization also called for an extensive reform of the postal providers to bear the conditions that competition brings (Regalia 2007). Postal operators privatized their organizations. By removing State's ownership, they become private enterprises redirecting their goals and operations to improve the company results through commercially orientated practices. This means to shape the products and services based on customer preferences, to reduce costs, to create partnerships, to outsource processes and to make incursion in new markets outside their countries. Further, postal providers as public enterprises look for revenues to attract investments and improved their performance (McKeown, Guiro & Soudakov 2002; Clermont 2002; Schulten, Brandt & Hermann 2008; Henricson 2008).

The Directive of 1997 defined a reserved area (universal postal service) which is still protected from competition. This area was defined by the weight of the postal product including postal items weighting up to 350g or costing five times more the regular tariff. Subsequent directives amended this first one in order to reduce progressively the reserved area (McGowan 2001). The directive of 2006 states the last reduction of the reserved area to 50gr and two and half times more the regular price. It is expected to achieve a full liberalization in 2013 for all European State Members (Reinbothe 2009). Up to now Finland, United Kingdom, Germany and Sweden have completely liberalized its postal market (Van Roosebeke 2007; Sparas & Hentschel 2009).

Sweden in Advance on the EU Liberalization Schedule

This study is focused on Sweden because it was one of the pioneers in the world to open the letter market to full competition (Henricson 2008). Sweden liberalized its letter market even before the European Commission (Crew, Kleidorfer & Campbell (eds.) 2009) program of liberalization. Since late 80's the idea of liberalization of the postal market in Sweden was envisaged by the government and supported by the already achieved liberalization of the telephony sector. Even when there was not a formal deregulation, the reserved area included just private mail. Other sort of postal items as direct mail, express and logistics were exposed to competition, and they were never under monopoly (Postal Affairs Department 2000, 2007).

In 1993 the postal monopoly was legally dissolved and the entrance to the market was open to other postal operators. As we have seen in this work, the Swedish Post was appointed as the postal incumbent to offer the universal postal service in the Swedish territory. In 1994 Swedish Post was privatized becoming a public limited liability company named Posten AB. The particularity of Posten AB is to be totally owned by the State (Postal Affairs Department 2007; 2000) but having transformed its organization to answer public policies and business objectives. A board of directors and executives were assigned by the State for the overall administration. The company was restructured by business units which were divided by segments. The segments share management activities and processes in the value chain. Posten set up new objectives directed towards market trends and administration principles. Posten guidelines were turned to develop services which meet customer's demand, look for new business opportunities and generate profit for the owners (Postal Affairs Department 2007; Posten AB 2001).

Posten transformed its service network, infrastructure and service. It closed traditional non-profitable postal offices. Posten offers its products and services in retail, convenience stores and service shops. In this way Posten's services were more reachable for more customers. Posten introduced high-tech machinery in its processes to save time and increase production. Posten combined electronic communication with traditional letter services to abide drop in letter demands (Henricson 2008). Besides Posten established partnerships to strengthen and to build up its infrastructure in Sweden and outside its borders to trade off its service in the Nordic area, Europe and the rest of the world (Posten AB 2001).

Swedish “Posten”: From transforming an administration to be an innovative actor in the business of service distribution

Posten has transformed the company from being a classic postal provider to a successful market-oriented company acting with rapid pace in products and services. To achieve that, Posten has diversified by structuring itself into three companies; each one specialized in different areas: the mail, information logistics and logistics services. It defines and differentiates each service in the market. In this way, it is possible for Posten to provide the products and services tailored to customers' needs. Furthermore, Posten has improved the overall offer. Posten has in a large extent increased the service portfolio aggregating complementary services and products, with an exceptional delivery quality, simplicity and competitive prices. Posten has potentiated its image as an effective and confident operator which makes it an excellent choice for business partnership in the service distribution. All in all, Posten has increased sales which definitely have made Posten profitable. Posten's success is clearly observable in its growing income and its healthy finances. Posten reports continue positive

financial results and distribute profits to its shareholders since 2001 (Posten AB 2006, 2007, 2008, 2009c).

Posten has built up abilities to provide a combination of different services that respond to requests from all customers and recipients to dispatch any kind of consignment, when requested, to any destination worldwide. Posten has developed its strengths to be more than a supplier of common services and products. Posten becomes a close associate of customers to undertake new business that will bring benefits to client's company. The latter supports Posten to meet the great increase of competition from companies that are also interested in postal and logistics activities. Such is the case with City Mail, Itella, DHL, UPS and other experienced carriers, as well as 30 small companies that compete in the totally liberalized Swedish postal market. Posten has turned around its mail and logistics operations in specialized business models designed for innovative service distribution. It includes the technology to integrate electronic message management with physical message distribution. Posten went further in this regard and augmented the offer to large possibilities of communication channels to connect companies with their customers. These communication channels include fax, e mail, web and mobile messages, video messages, magnetic strips cards and SIM cards. More, Posten improved and extended its network making joint ventures in order to acquire new mails and logistics markets within the Nordic, European region and around the world. Posten's business models not only meet the demand for electronic communication and internationalization lately characterizing the postal market, but also to rapidly develop further services dealing with the always shifting needs and expectations of the customers in a dynamic and competitive postal market. In this way, Posten plans to keep being profitable for many years ahead (Posten AB 2008, 2009a).

Sweden Posten: Far ahead for a while?

In limited extend, Swedish liberalization represents a tangible example of objectives pursued by the European Commission for the European postal market (Henricson 2008). However some Member States are still reluctant to abolish their protected market for political, ideological, cultural reasons or other interests. This opposition to the liberalization and thus open competition plays against them already. Instead of being a mean to fortify the organization, protectionism is keeping old fashioned postal services apart from the advantage of the market (price, efficiency, and new business). The Swedish experience has shown that Postal operators are compelled to overcome their traditional protectionism and embrace the liberalization as it is essential to survive the actual competition between existing operators. Independent operators are able to adopt the best business strategy to redirect its core activities based on market demands. Furthermore, free competition brings investments, innovation, efficiency and service improvements. In this way postal operators are more

than survivors and materialize profitability and success (Jack 2000; Crew, Kleindorfer & Campbell (eds.) 2009).

Posten has demonstrated that it is able to offer an efficient, quality and customer-oriented service without State's subventions, restrictions or further protections and compete in an open market of global operators. Posten has shown it is possible to operate universal service for the population under successful business principles. Without compromising the States obligation for the provision of the universal postal service to all users, Sweden has adopted an intelligent adaptation of the liberalization of a service to the condition of its public and to a global market as well (Crew, Kleindorfer & Campbell (eds.) 2009; Postal Affairs Department 2007).

Finally Posten has shown that competition far from being a threat is regarded an opportunity to improve the overall performance of the company. Posten has used competition as the basis to face worldwide environment. To deal with this open environment, Posten has distinguished itself by its technological solutions and the integration of its internationalization services (Postal Affairs Department 2007). To conclude, I will cite Posten's Vice-President of International Relations, Store Laplander, who made the following remark "Liberalization was the best thing that has happened to Sweden Post; it made us a good post office." (Cohen et al. 2007).

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Annex: Technical Specificity of the Postal Sector Activities: A Review of its Development and Regulation

In the following part I describe the universal postal service. It includes the reserved areas and technical criteria such as access to postal networks, quality of service and cost criteria. These are regulations of the postal sector to assure the provision of the postal service under fair conditions and under impartial and harmonized procedures, norms and objectives set by the European directives.

Universal Service

The postal sector is composed by a reserved area for letters which includes regular mail, direct mail and newspapers delivery where the provider has the obligation to bestow the service. Parcels and express services represent a separate market. These together set up the postal market called universal service. (Hermann & Verhoest 2007).

The universal service is the principle that states that postal organization has as main duty to deliver letters and parcels in the European region with high quality and -in the case of the letters- with a standard price (Crew & Kleindorfer (eds.) 2006). According to Directive 1997, the universal service involves the permanent provision of a postal service of specified quality at all destinations in their territory at affordable prices for all users. The obligation comprises collecting postal items received through the access points and the delivery to the home or business of natural or legal person within five working days a week (Directive 97/67/EC).

The access points include postal offices, operated by the universal service providers, agencies operated by contractors and street letterboxes. The number of access points is proportional to the number of inhabitants of a community providing, at least, one outlet per community. Moreover, the amount is set by user needs and by the idea to settle an access point close to the user (Van der Lijn et al. 2008, p.45).

Reserved area

The reserved area, as Directive 1997 stipulates is related to “items of correspondence”. It refers to any means of written communication to be sent and delivered to the address written down on the item itself or on the wrapping (Crew, Kleindorfer & Campbell (eds.) 2009). The reserved area is limited by prices and weight of the consignments, local and cross-border letters weighing less than 50 grams and less than two and a half times the public tariff (Directive 2008/6/EC). Direct mail and incoming and outgoing international mail are included in these limits (Van der Lijn et al. 2008). Member States designate providers which will supply the service throughout the national territory. Member States through a National Regulatory Authority elect the provider following the principles of objectivity, transparency, non-discrimination, proportionality (Directive 1997/67/EC). The National Regulatory

Authorities are organisms legally separated from postal operators (Crew, Kleindorfer & Campbell (eds.) 2009). They regulate the licensing and authorization setups, they control prices and accounting policies and actions to regulate the postal service (Commission of the European Communities 2006), as well as the observance of the Directives (Crew, Kleindorfer & Campbell (eds.) 2009). Thus, National Regulatory Authorities in each Member State grant postal operators a license to collect, to sort, to transport and to distribute internal mailings, with urgent or not urgent deliveries to ensure the provision of the universal service (Directive 1997/67/EC). With respect to a non-reserved area, Member States may grant a general authorization to offer the service without individual approval or specific license requisites (Crew, Kleindorfer & Campbell (eds.) 2009). The authorizations are defined below.

Postal service authorizations

Directive of 1997 delineates authorizations as concessions which give rights and obligations to provide postal services and to set out the necessary infrastructure and postal networks to deliver the service. The authorizations are divided in general authorization and individual licenses.

General authorizations gives the permission to receive, collect, send, dispatch and deliver local and international express letters for which the user pays an additional charge to acquire a faster service (Guidelines for the registration 2008).

On the other hand, individual license is an authorization granted by a national regulatory authority which involves specific rights to provide the universal service. The individual license is obliged to be granted by the national regulatory authority before the accomplishment of the rights stated on the authorization (Directive 1997/67/EC). Non-reserved services, which are not considered part of the universal service, require general authorizations to carry out essential requirements (Van der Lijn et al 2008, p. 57).

Postal service providers are compelled to fulfill requirements of licenses and general authorizations. Requirements include the confidentiality of correspondence, restrictions on dangerous goods, protection of the information handled and processes directed to protect the environment (Van der Lijn et al 2008, p. 59). The conditions of the granted authorizations are related to the universal service obligations. Provider has the obligation to supply all or part of the universal service with quality, availability, performance and price standards (Directive 1997/67/EC) and to response properly to users complains. Also, provider is obligated to observe the conditions of the reserved area of the universal service and they should hold minimal capital or financial guarantees and have technical and operational competence (Van der Lijn et al 2008, p. 54).

Access to postal network

In order to supply the postal service to the customers, market participants require using the postal network of the universal service provider in a member state (Van der Lijn et al 2005, p. 69). Access to

the postal network includes having availability of national postal facilities to all postal market players under same conditions which are transparent and non-discriminatory (Van der Lijn et al. 2005, p.42; Directive 97/67/EC).

The access of the postal network is divided into: (1) Access to postal delivery network and (2) Access to postal infrastructure. Access to the postal delivery network implies activities related to the collection, sorting and conveyance of the mail and general activities from the collection to the delivery (Promoting effective competition 2004). The access to the postal delivery network is the entry to sorting centers, delivery offices and letterboxes to collect mail. The access of postal infrastructure involves the contact with the letterboxes of the users, PO boxes, address database, postal code system and the redirection of mail (Van der Lijn et al 2008, p.61).

The access is controlled through regulations that cover from regulated access to negotiated access. This is there is a previous base to regulate the access conditions, for instance access points, terms, prices, etc. which national providers set to safeguard the access. On the other hand, conditions are negotiated between the operator and the national provider to accomplish an agreement about the terms for the access provision. Postal sector regulators intervene when an agreement is not achieved. Finally, the access conditions are freely negotiated with dispute settlement based on general competition law (Van der Lijn et al 2005, p. 69)

Quality of Service

Member States are obligated to establish quality standards in order to ensure the quality of the universal service. These standards are routine times, regularity and reliability of services. Member States define standards for national services. The European Parliament through the Council places standards for intra-community cross-border services. Member States adjust their standards to those laid down for intra-community cross-border services taking into account the characteristics of their own markets (Directive 1997/67/EC).

The terms of the intra-community cross-border standards are settled by the limit times for the dispatch covering from the day when the item reached the access point to the day of the actual delivery. The standard is based on the formula $D + n$, where D is the day the user deposited the item and n the working days employed in the distribution of the item to its final destination. The standards appointed by the European Parliament are $D + 3$ for 85% of the intra-community items and $D + 5$ for 97% of cross border items handled. The criterion applies both for intra-community dispatch and for transactions between two Member States (Directive 1997/67/EC).

Cost Criterion

Directives stipulate the principles for cost and accounting criterion. It is required Member States to ensure that the prices of the provision of the universal service are both accessible to all users and oriented and adjusted to costs (Crew, Kleidorfer & Campbell (eds.) 2009) on transparent and non-

discriminatory terms (Directive 1997/67/EC). More, Member States may designate an equal tariff on the universal service. Finally, the price of the universal service may be determinant to provide an efficient service without jeopardize the cost-oriented approach (Crew, Kleidorfer & Campbell (eds.) 2009).

Build on these aspects each Member State has autonomy to design and adapt the universal service in accordance with its own specific requirements such as economic background, technical characteristics, and social conditions and users requests. Thus Member State determines the most suitable procedures to ensure the provision of an equal, efficient and ubiquitous universal service in its territory (Kuypers et al. 2006; Directive 1997/67/EC).