

## ECONOMIC CONSIDERATIONS ON THE POSTAL AND COURIER SECTOR IN ROMANIA

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### **Abstract**

*The analysis conducted in this paper covers the period 2019-2021 aiming to highlight the impact of the global crisis resulting from the Covid-19 pandemic and affecting postal and courier services in Romania. This is one of the sectors that, especially thanks to e-commerce, has seen increases in its activity. Particular details of the post and courier sector are presented, as well as its dynamics during the analyzed period, regarding the number of active companies, turnover, number of employees, and productivity. The main competitors in the sector (Top 10) are highlighted, which are ranked according to the turnover in the year 2021, and as far as the Romanian National Postal Company is concerned, which occupies the first position in this ranking or hierarchy, the main economic and financial performance indicators are presented. The analysis clearly shows a strong concentration of the sector, with the top 10 companies that provide postal and courier services securing nearly 70% of the total turnover of the sector in 2021.*

**Key words:** postal and courier sector, COVID-19 economic impact, hierarchies, firm performance.

**JEL Classification Codes:** L22, L25, L87.

### 1. INTRODUCTION

Postal and courier activities in Romania (NACE 53) are represented, according to the National Institute of Statistics, by 3824 operational companies as of 31 December 2021, which means a 37.21% increase compared to the previous year, distributed in two sub-branches: 5310 – Activities postal services conducted under the universal service obligation (one company) and 5320 – Other postal and courier activities (3,823 companies).

The National Authority for Management and Regulation in Communications of Romania (ANCOM) is the institution that protects the interests of communications users in Romania, typically by promoting competition on the communications market (electronic communications and postal services).

In keeping with ANCOM, the universal service refers to the right of any person to benefit from the permanent supply of postal services (the services included within the scope of the universal service), at a certain level of quality, at any point on the territory of Romania, and at affordable rates and costs or fees. Also, the universal service provider has the obligation to provide services all over the territory of Romania, at the same rates or fees, which includes the geographical areas that are difficult to access or having a low population density, where the amount of



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correspondence is small and therefore the activity is not profitable<sup>1</sup>. Currently, it is the Romanian Post Company S.A. that ensures the provision of the universal service in the field of postal services in Romania.

It is generally believed that “the postal sector has been undergoing a paradigm shift over the last 30 years, from a relic of the industrial era to a facilitator of exchanges of goods and messages in the era of global Internet connectivity” (Ansón & Helble, 2014, p. 18).

Against the background of the significant increase in the volume of e-commerce during the recent Coronavirus pandemic, since 2020 the activity in the postal and courier sector has also increased. The president of the Universal Postal Union was quoted to say that “postal operators around the world are an integral part of the overall e-commerce ecosystem providing a wide range of services from logistics, digital platforms, marketing, and payments”<sup>2</sup>.

Similarly, a recent study (Chołodecki, 2021, p. 11) shows that “the impact of the COVID-19 on the national postal markets was different in the selected countries [...] the common trend is the letter segment's constant decline, which primarily influences the Universal Service Providers”.

According to a study by ANCOM, published in the Annual Report for 2021<sup>3</sup>, in the context of the 2020 pandemic, and against the background of the increase in the volumes of postal traffic generated by making online purchases, some of the postal service providers have accelerated the implementation and development process of infrastructure of parcel lockers, and this self-service regime designed to carry out the sale-purchase act significantly contributed to the financial optimization of business models, by reducing costs and delivery/collection times of postal items. The same study also emphasizes that, given the reduction in the duration of the shipment distribution process (since a single courier, in a single location, makes multiple deliveries/collections), by decreasing the operational costs generated by fuel consumption and the need for human resource, while the transport routes were optimized (fewer destinations, addresses known in advance), an increase in the degree of using self-service services could be noticed.

The liberalization of the postal market has favored the emergence of other postal services providers including courier companies, helping to lowering costs and tariffs for goods and services, redistributing resources efficiently, thus stimulating economic growth and improving quality standards. (Rabontu, 2016, p. 18)

## 2. DYNAMICS OF THE POSTAL AND COURIER SECTOR IN ROMANIA

Postal and courier activities in Romania (NACE 53) are classified into two broad groups: 5310 – Postal activities conducted under the universal service obligation, and 5320 – Other postal and courier activities. The first group includes postal service activities that are carried out within the universal service obligation by a universal service provider, or by several providers.

The universal service gives every person the right to benefit from postal services at any time, while those services are supplied at a certain level of quality, in any geographical area in Romania, and payable at affordable rates or fees.

In the second group are included the reception, processing, transport and distribution (either domestically or internationally) of letters, packages and parcels (of a postal type) by companies that conduct activities not having to do with the obligation of universal service<sup>4</sup>. Currently, in Romania there are over 3,800 registered enterprises whose main field is represented by this

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<sup>1</sup> <https://www.ancom.ro/list-of-authorised-postal-providers-5069> , entered on 10.11.2022

<sup>2</sup> [https://www.upu.int/UPU/media/upu/publications/Final-November-update-UPU-E-Commerce-Guide\\_2020\\_EN.pdf](https://www.upu.int/UPU/media/upu/publications/Final-November-update-UPU-E-Commerce-Guide_2020_EN.pdf) , entered on 18.11.2022

<sup>3</sup> The National Authority for Management and Regulation in Communications of Romania, Yearly report 2021, p. 49-50, <https://www.ancom.ro/rapoarte-anuale-268>, entered on 10.11.2022

<sup>4</sup> The complete, updated list of the NACE 2022 codes, available online at <https://NACE.ro/NACE/5320-alte-activitati-postale-si-de-curier>, entered on 16.04.2022

activity. Out of these, on 31 December 2021 the Public Register of postal service providers included a number of 505 persons authorized by ANCOM to provide postal services.

Table 1 shows the dynamics of the number of companies active in the postal and courier sector, and Table 2 presents the situation of the sector, resulting from its turnover and the average number of employees, divided according to the two subcategories of activities.

**Table 1. Dynamics of the number of companies active in the postal and courier sector**

Description	2019	2020	2021
NACE code 5310 - Postal activities conducted under the obligation of universal service	1	1	1
NACE code 5320 - Other postal and de courier activities	2,058	2,786	3,823
<b>Total number of companies</b>	2,059	2,787	3,824
<i>Dynamics of the number of companies, as absolute change</i>	-	728	1,037
<i>Dynamics of the number of companies, as percentage change</i>	-	35.36%	37.21%

Source: data processed according to the National Institute of Statistics, database TEMPO Online, <http://statistici.insse.ro:8077/tempo-online/> , entered on 18.11.2022

One can notice that the number of entities has increased considerably during this period of health crisis caused by the new Coronavirus, namely 35.36% up compared to 2019, and 37.21% up in 2021 (the annual average for 2019-2021 being 36.29%), affecting 3,824 companies.

**Table 2. Dynamics of sales and employees in the post and courier sector**

Description	2019	2020	2021
<b>Total turnover (lei)</b>	<b>5,410,031,673</b>	<b>6,370,840,258</b>	<b>7,376,242,278</b>
NACE code 5310 - Postal activities conducted under the obligation of universal service	1,273,999,654	1,287,306,862	1,356,276,001
NACE code 5320 – Other post and courier activities	4,136,032,019	5,083,533,396	5,532,788,705
<i>Turnover dynamics (%)</i>		17.76%	15.78
<b>Average number of employees</b>	41,929	44,336	48,032
NACE code 5310 - Postal activities conducted under the obligation of universal service	23,191	21,291	23,144
NACE code 5320 – Other post and courier activities	18,738	21,291	24,888
<i>Employee dynamics (%)</i>		5.74%	8.34

Source: data processed in accordance with the National Institute of Statistics, database TEMPO Online, <http://statistici.insse.ro:8077/tempo-online/> , entered on 18.11.2022

In keeping with the dynamics of these indicators, the growth rate of turnover (seeing a 16.77% annual average) was higher than the increase in the number of employees (seeing a 7.04% annual average), which strongly suggests the increase in the efficiency of the sector, which is among the few activities that have developed during the pandemic.

The concentration of the sector is strong, as the top 10 companies in the postal and courier activities sector provided 68.84% of the total turnover of the sector in 2021.

As far as the efficiency of the sector is concerned, we will highlight the average productivity (turnover per employee) over the interval analyzed, in keeping with Table 3.

**Table 3. Dynamics of efficiency in the postal and courier sector**

Description	2019	2020	2021
<b>Turnover / employee (RON) for the entire sector</b>	129,028	143,695	153,569
NACE code 5310 - Postal activities conducted under the obligation of universal service	54,935	55,861	58,602
NACE code 5320 - Other postal and courier activities	220,730	238,764	241,882
<i>Dynamics of turnover per employee (%)</i>	-	11.37%	6.87%

Source: Data processed by the author based on the information in Table 2

The analysis of the efficiency of the sector highlights a trend of increasing labour productivity (turnover per employee) in the interval analyzed, from 129,028 RON in 2019 to 153,569 RON in 2021, with an annual average of 9.12%, as the turnover increased by a annual average higher than the average number of employees.

### 3. ANALYSIS OF THE MAIN COMPETITORS WITHIN THE POST AND COURIER SECTOR

The detailed analysis of the postal and courier sector shows a continuous market growth trend. Competition is rife in this sector. If we consider the most developed enterprise as far as the postal and courier market in Romania is concerned, then we have to think of the Romanian Post National Company (*Compania Națională Poșta Română*).

The Romanian Post National Company is considered the biggest winner from the pandemic among all companies. It has seen significant increase in recent years, reaching a turnover of 1,356,276,000 lei as compared to the year 2021, taking into account the fact that the turnover in 2020 was 1,287,306,862 lei, i.e. a percentage increase of 5.36%, and the company has continued to develop from one year to the next.

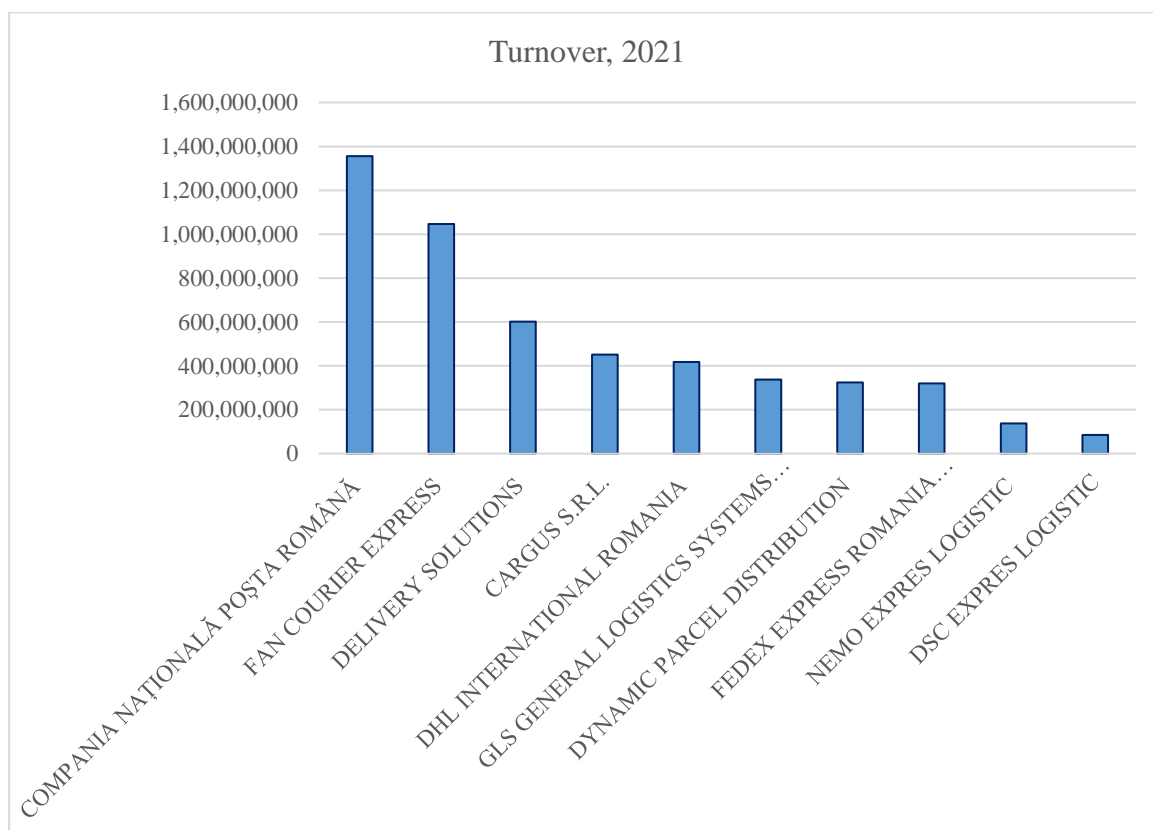
The 10 companies in the post and courier sector, ranked based on their turnover in 2021, are presented in Table 3, and represented graphically in Figure 1.

The Romanian Post National Company S.A. (NACE code 5310) is the leader in this sector, followed by Fan Courier Expres S.R.L., which is the leader of the courier segment in the category 5320 - Other postal and courier activities.

**Table 3. The top 10 companies in the postal and courier sector in Romania, 2021**

No.	Company	Turnover	Net profit	Employees (average number)
1.	COMPANIA NAȚIONALĂ POȘTA ROMÂNĂ S.A.	1,356,276,000	42,510,015	23,144
2.	FAN COURIER EXPRESS S.R.L.	1,046,793,532	161,391,814	3,386
3.	DELIVERY SOLUTIONS S.A.	601,431,108	4,366,852	1,114
4.	CARGUS S.R.L.	450,938,746	-54,930,530	851
5.	DHL INTERNATIONAL ROMANIA S.R.L.	417,441,392	5,982,468	629
6.	GLS GENERAL LOGISTICS SYSTEMS ROMANIA S.R.L.	336,996,836	68,240,281	215
7.	DYNAMIC PARCEL DISTRIBUTION S.A.	324,553,000	24,400,595	675
8.	FEDEX EXPRESS ROMANIA TRANSPORTATION S.R.L.	320,024,095	11,704,698	427
9.	NEMO EXPRES LOGISTIC S.A.	137,907,120	-1,900,781	344
10.	DSC EXPRES LOGISTIC S.R.L.	85,377,871	169,003	0

Source: <https://listafirme.ro> and [mfinante.ro](https://mfinante.ro)

**Figure 1. Turnover of the first 10 companies, NACE 53, year 2021**

Source: data processed from Table 3

As seen from the data above, Compania Națională Poșta Română S.A. is at the top of the ranking with a turnover of approximately 1.35 billion lei and a net profit of approximately 43 million lei in 2021.

Another top company in this sector is Fan Courier Express S.R.L., which ranks second in the hierarchy, with a turnover of approximately 1.04 billion lei and a net profit of approximately 161 million lei.

With a 100% national coverage, 140 branches throughout the country and a fleet of over 4288 vehicles<sup>5</sup>, Fan Courier Express S.R.L. has succeeded in getting very close to the market leader (Poșta Română / Romanian Post) in recent years. This company owns 100% Romanian capital, and managed to go down in history as having reached a turnover of over one billion lei, increasing by 28% compared to 2019 and managing to reach 16% of the total market.

On the third position is Delivery Solutions S.A. (known to customers as Sameday Courier) with a turnover of approximately 601 million lei and a net profit of approximately 4 million lei.

The companies that are next in the ranking are Cargus S.R.L., with a turnover of approximately 450 million lei, but a net loss of approximately 55 million lei, followed by DHL International Romania S.R.L., GLS General Logistics Systems Romania S.R.L., Dynamic Parcel Distribution S.A., Fedex Express Romania Transportation S.R.L., and Nemo Express Logistic S.A.

The Top 10 for the year 2021 ends with DSC Express Logistic S.R.L., which has a turnover of approximately 85 million and a net profit of approximately 169 thousand lei, which are but small values compared to the other competitors mentioned above.

The competitors of Poșta Română S.A. “have put in practice strong marketing strategies that allowed them to gain important market segments and to increase their businesses”. (Constantin, 2012, p.267).

#### **4. A BRIEF PRESENTATION OF THE NATIONAL COMPANY POȘTA ROMÂNĂ S.A**

The National Company “Poșta Română” S.A. represents the nation-wide operator of postal and courier services in Romania, and is the only provider of universal service<sup>6</sup> throughout the country, having rates and fees accessible to the entire user sector.

It is a postal and courier services company founded in 1862. At present, “Poșta Română” National Company S.A. is owned by the state, which is represented by the Ministry of Communications and Information Society, which holds 93.52% of the shares, and the “Proprietatea” Fund, which owns 6.48% of the shares<sup>7</sup>.

The Ministry of Communications and Information Society (MCSI) represents the institution in point of the specialty of the central public administration in the field of communication and information technology whose role is that of implementing the Government’s policy in the fields of electronic communications, postal services, information technology and the information society.

The “Romanian Post” National Company S.A. was established as a joint-stock company in keeping with the General Decision no. 371/1998, through a reorganization of the “Romanian Post” Autonomous Authority. It was registered in the Trade Register under the order number J40/8636/1998, having the unique registration code no. 427410.

Table no. 4 presents the object of activity of the company.

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<sup>5</sup> <https://www.fancourier.ro/despre-fan/>, entered on 20.10.2022

<sup>6</sup> [https://www.ancom.ro/serviciul-universal\\_913](https://www.ancom.ro/serviciul-universal_913), entered on 24.07.2022

<sup>7</sup> <https://www.posta-romana.ro/a50/despre-noi/prezentare.html>, entered on 24.07.2022

**Table 4. The object of activity of the “Poșta Română” National Company S.A.**

A. Postal services:
I. Basic postal services
II. Postal services other than the basic ones
B. Editing, printing, marketing and storage or safe-keeping post stamps and other postal items in the stamp conservatory
C. Other services related to those mentioned above, and any other activities according to the legislation in force

Source: <https://www.posta-romana.ro/a50/despre-noi/prezentare.html> entered on 24.07.2022

Currently, this company owns and runs over 5,500 postal subunits nationwide, distributing over 11 million units or pieces of mail weekly. More than 750 post offices in 950 subunits that are computerized benefit from VPN (Virtual Private Network). Thus, all the operations conducted are in optimal security, by using safe, fully secure IT systems, as well as private communication networks. The decision to implement such a system was based on the tough, aggressive competition in certain market segments.

The avowed aim<sup>8</sup> of the Romanian Post National Company is to provide efficient, high performance services at all times – from merely sending a letter, to providing modern services based on the latest technologies.

As far as the main economic-financial indicators of the company are concerned, they are presented in Table 5.

**Table 5. The main economic and financial indicators of the company**

Indicators	Year		
	2019	2020	2021
Turnover	1,273,999,654	1,287,306,862	1,356,276,000
Profit from operations	32,117,568	28,950,710	36,972,967
Total assets	1,013,063,694	1,045,227,424	1,040,630,581
Total income	1,361,412,291	1,376,610,732	1,437,357,531
Total expenses	1,322,836,633	1,343,669,923	1,391,839,974
Gross profit	38,575,658	32,940,809	45,517,557
Net profit	24,362,754	29,361,197	42,510,015
Average number of employees	23,191	21,291	23,144

Source: Financial statement of the “Romanian Post” National Company S.A., 2019-2021 and [www.mfinante.ro](http://www.mfinante.ro)

We can notice an increase in the turnover for both 2020 and 2021. Similarly, the total assets, as well as the total income and expenses, show year-on-year increases, except for the total assets, which decreased in the 2021 financial year.

Excluding the result of the operations, which saw decreases in 2020, coming back in 2021 with an increase of approximately 8 million lei, i.e. a percentage of 27.71%, indicators such as gross and net profit saw significant increases in 2021. As concerns the average number of employees, it did not see large fluctuations.

<sup>8</sup> Poșta Română, Activity Report 2021, p. 3, <https://www.posta-romana.ro/cnpr-data/editor/files/Rap%20de%20activitate%20CNPR%202022%20conform%20Lege%20544.pdf>, entered on 16.11.2022

## 5. CONCLUSIONS

The competition on the postal and courier services market will probably remain very concentrated, but we consider it interesting to watch, on the one hand, if the “Poșta Română” National Company will manage to keep the first position in terms of market share, especially since Fan Courier (currently in second position, as seen in Table 3) recorded constant increases in turnover, so that in 2021 it was only approximately 22% below that of the Romanian Post, and on the other hand, how the competition will go on between the other companies in the Top 10, especially in point of courier services.

Given the economic context, the upward trend is expected to continue in the postal and courier sector due to further growth in e-commerce volumes, but most likely at a lower rate than that it saw in 2020-2021, against the background of the Covid-19 pandemic.

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