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## **The value of the development strategy of «Kazpost» until 2022 for the postal industry of Kazakhstan**

At present, the development of information and communication technologies and postal services is an important priority for the Republic of Kazakhstan, which has set its sights on the industrial and innovative development. Despite the fact that the country is experiencing a significant increase in the number of Internet users rapidly developing e-commerce, a growing number of service providers and consumers of services «e-government» there is a need to provide quality financial services to the public and businesses, particularly in rural areas, where in addition to mail not represented by any other structure.

*Key words:* strategy, Postal services, Kazpost, competition, strategic management, conceptual approach, strategy development, strategic thinking, indicators, corporate governance.

Modern postal industry is in a state of constant radical changes. In this case, it is significantly influenced by global trends in the development of postal services and the impact of the global economic crisis. Thus, the restructuring of the traditional business model of the national postal administrations affected by the following key trends:

- The decrease in traditional paper items outgo;
- Increase in the number of parcel shipments;
- The increase in postal financial services;
- Changing behavior and needs of consumers of postal services [1].

At the same time in the development of leading postal administrations observe such trends as:

1. Transfer of postal services in outsourcing. In order to optimize their costs Postal Administrations make the transition to provide services to organizations that can act as dealers to provide postal services.
2. Acceleration carrying out measures to modernize the postal network. This suggests that the Postal Administrations seek to improve infrastructure and equipment in order to reduce the share of manual labor and increase productivity with a consequent reduction in headcount.
3. Reduced rate traffic from 6 to 5 days a week. This practice has been used successfully, for example, in Canada, USA, Australia, which allows to improve business processes and enhance the quality of services, but not at the expense of additional investments, and by saving [2].

At a conference on strategies Universal Postal Union was recognized that the global postal industry as an integral part of the global economy the basic concepts of successful and sustainable development are:

- 1) diversification, i.e. expansion of existing and development of new adjacent markets, the introduction of these markets complementary products;
- 2) innovations — new processes and products based on the achievements of modern information and communication technologies and knowledge.

These trends, together with the successful development of key concepts make it possible to formulate a strategy for the development of modern-mail. It is based on the concept of three-dimensional postal network: physical, electronic and financial. Practice shows that the Postal Administration are active in all of these areas are more effective than those that do well in one area of a three-dimensional network.

Certainly Kazakhstan postal industry needs a new development strategy, which is explained by the following factors. On the one hand, Kazakhstan with its economy integrated into the global economy, thanks to the correct anti-crisis program, has successfully overcome the recent crisis and entered a phase of sustainable development. On the other hand, the country has committed itself to innovative development, development of information and communication technologies. Currently, the country has seen a significant increase in the number of Internet users rapidly developing e-commerce. At the same time pressing need to provide quality financial services to the public and businesses, particularly in rural areas, as well as the need for transportation and logistics services [3].

In accordance with the Law «About mail» guide public policy on the development of the country's postal savings system defined by the National mail operator in the face of «Kazpost» [4]. The company

carries out the task of diversification and modernization of the national economy as part of the message of the President, the State program for accelerated industrial and innovative development for 2010–2014 [5], the Strategic Development Plan of the Republic of Kazakhstan until 2020 [6], the Programme for the Development of Information and communication technologies in the Republic of Kazakhstan for 2010–2014 [7], as well as other strategic and program documents of the country.

Despite the fact that «Kazpost» is the national postal operator, however, due to the liberalization of the sector, in some segments of the domestic postal market is experiencing tough competition. In addition to «Kazpost» market operators operating the largest international courier services, small private companies. Courier services in the market of Kazakhstan there are more than 45 companies, including such major international organizations as «DHL», «FedEx», «TNT», «UPS», «OCS», «Pony Express». In addition, there are a number of local companies that provide services in some regional centers of Kazakhstan.

In order to improve their competitiveness in domestic and foreign markets «Kazpost» sees its mission in the fact that by 2015 to become the leading three-dimensional operator of postal and financial services with high operating efficiency, and by 2022 — an innovation-oriented, responsive to changes market environment, the business structure.

The Board of Directors approved the development strategy of «Kazpost» until 2022 [8]. According to the adopted strategy, «Kazpost» JSC plans to achieve the most efficient use of all three dimensions of the postal network — physical, financial and electronic — and complement each other on the principles of synergy.

Table 1

**Business lines of «Kazpost»**

Postal service	Transportation Services	Financial services
Courier and express delivery delivery (EMS) Delivery of promotional items	Backbone and sorting transportation mail items	Receiving payments
Shipping accounts, periodicals, written correspondence	Reception and delivery of bulk mailings	Benefits, pensions, salaries
Parcels long-term agreements with Online shopping	Processing, transportation and cargo tracking	Card products
Hybrid mail	Storage and management inventory customers	Lending (agency services)
Postage stamps	Full cycle logistics services	Insurance (agency services)
		Branch office and collection
		Remittances
		Transfer-agent services
		Broker-dealer services

Note. Compiled from source [8].

From Table 1, it is expected that the business of postal services will be developed at the expense of product diversification and will focus on providing quality customer service. Functions for sorting and transporting the backbone of mail will be sent logistics business. Operating costs of buildings of post offices will be shared with business financial services. This will help reduce the cost of products (services) and make more attractive offers to customers.

Business logistics services will be based on the available assets. We are talking about warehouses, sorting centers, wagon and truck fleet, etc. It is assumed that at the initial stage and logistics services will be provided to the internal client, and subsequently, after capacity expansion, accumulation of skills, the formation of a partner network and a better understanding of the needs of the market, the business unit will be able to enter the foreign market.

Financial services business will be based on the network of post offices. This will save on the development and operation of the physical infrastructure. This refers to financial minimarkets, in which it will be possible to get any financial service. At the initial stage, the products are mostly strangers, and the Company will receive revenue agency. Later, you can go to the sale of its own financial services.

For scheduled «Kazpost» considers the following strategic areas:

1. Expansion of the core business «Postal services». In connection with a reduction in the demand for services of delivery of letters most promising niches are the market of direct mailings, shipping bills and notices. Due to the active introduction of technologies of distance selling are particularly important growing market for parcel deliveries, courier and accelerated market items. To meet the needs of these market segments, the Company intends to diversify its product portfolio. We propose an optimal combination of price and quality, and is taking measures to improve the efficiency of production processes. At the same time, the Company is focused on improving the quality of service component with a simple and convenient service for customers. Therefore, the main goal of this strategic direction is to increase the yield of the portfolio of postal services with total revenue to 28.8 bn. In 2022. Before that period, the Company intends to significantly increase its presence in the markets of services with high added value and the share of these services in its portfolio.

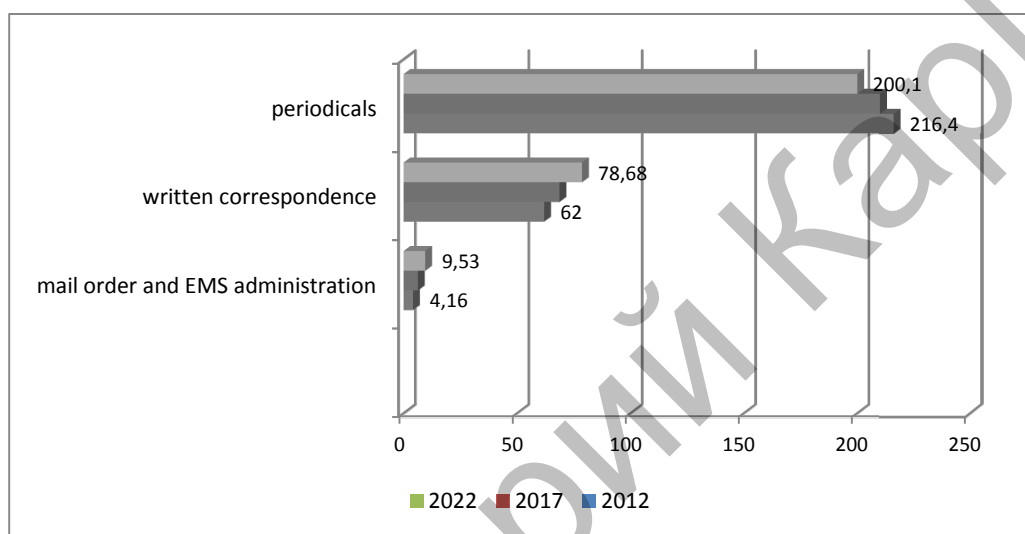


Figure 1. Structure of the total portfolio of postal services, mln units (compiled by the author)

According to Figure 1, for the period from 2012 to 2022 the volume of periodicals should be reduced by 7.5%, written correspondence, on the contrary, an increase of 26.9%, and the volume of parcel shipments and EMS — to grow by 2.3 times.

The objectives of the unit are:

1) Take a leadership position in the segment of «Parcel of origin.» This can be achieved by increasing the speed and safety of parcel shipments due to modernization processes and logistical capacity of production facilities;

2) Take a leadership position in the segment expedited express and courier delivery. To this end, the Company plans to open an independent branch of the EMS-Kazpost to improve the quality control of all production processes involved in the creation of services and flexibility in making operational decisions;

3) to maintain the level of income from written correspondence due to the increase in revenue for the delivery of advertising materials. It is planned to step up sales in the segment «advertising mail», «delivery of accounts and subscriptions» on the basis of qualitative segmentation and offer additional services; build long-term relationships with major customers, providing regular large volumes of items Direct mail;

4) Hold revenue from the delivery of periodicals at a level comparable to 2012. To achieve this goal should engage the publisher offering periodicals, are in high demand among the population.

2. Strengthening the logistics functions and preparing to enter the foreign market. The purpose of this area is to ensure entry to the growing logistics market. Prior to 2017 the Company plans to establish a functioning internal 1PL operator and enter the international market offering services c 2PL, and in 2020 to become a full operator assumes the level of 3PL.

The main objectives of this unit are:

1) Growth of postal business on the basis of maximizing the performance of logistics processes on trunk routes, optimization of logistics operations to reduce costs and enhance the conservation of the carriage;

2) Creation of an independent logistics business (1PL-operator). It is planned to modernize the fleet of vehicles to serve the main routes. It also includes the replacement of certain parts of railway routes by road, which would reduce the target dates for delivery of postal items. And the intensive construction of roads in the Republic of Kazakhstan provides a new asset for the efficient transportation of goods;

3) Standardize and empower info-logistic infrastructure (2PL-operator), which implies: the introduction of the world's technological standards for the handling, storage, transport and tracking of cargo and mail; introduction of information and logistics systems for the registration and tracking of goods, warehouse management and planning of freight traffic; automate the process of sorting parcels; the creation of high-tech logistics centers;

4) Provide a full cycle logistics services, ie creating supply chain (3 PL-operator). To do this you need to create partnerships with local and foreign carriers and logistics operators to expand the range of logistics services, as well as provide the necessary degree of flexibility in the management of operating costs.

3. Development of financial services. The purpose of this direction is to increase the yield of the portfolio of financial services with total revenue to 29.9 bln. By 2022 by increasing the share of services with high added value, including by increasing the proportion of active cards.

The objectives of this program is as follows:

1) Achieve leadership position in the segment «Public facilities and other payments.» It is planned to make the service more accessible to the public, to develop self-service system through the introduction of payment terminals, the development of the Internet and mobile banking;

2) To improve the competitive position in the market of remittances. Complete the task can be based on the reduction of terms of international transfers to 1 hour due to the implementation of the project «International express postal orders»;

3) Increase the customer base of the Company concerning the use of plastic cards. For this purpose, it is planned to expand the network of ATMs of the Company, to develop and bring to market additional services for users of plastic cards;

4) Hold at that level the rate of growth of income from payments to individuals by offering the best card products for transfer of wages and social benefits, as well as by increasing the rates of commissions for payments to individuals in rural areas of the Republic of Kazakhstan;

5) Expand the portfolio of financial services agency based on the proposal of agency services — loans, deposits, insurance and others.

According to Figure 2, 2022 «Kazpost» is aimed at the growth of all types of financial services. At the same time the largest share is for the payment of pensions and allowances (55.6%).

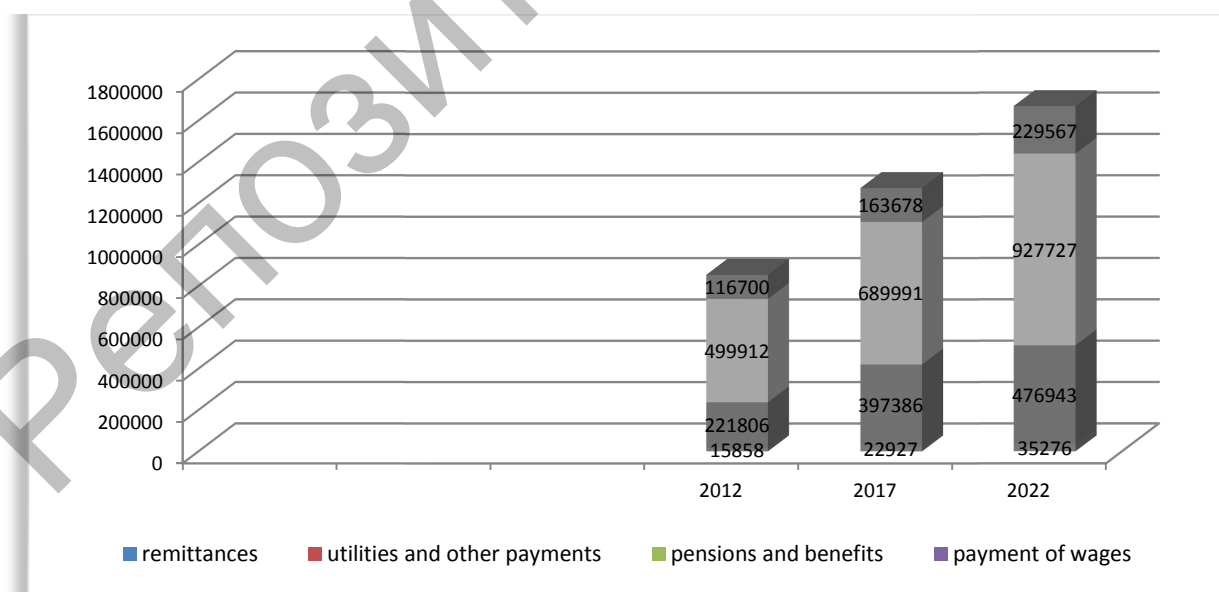


Figure 2. Structure of the total portfolio of financial services, mln tenge  
(compiled by the author)

4. Increase operational efficiency. The purpose of this area is to improve the profitability of the Company's assets. It is planned that by 2022 the level of profitability will rise to 7.6%.

Task areas:

1) To improve business processes and optimize costs. To do this, it is assumed to implement the project «Business Process Reengineering» to identify and eliminate unnecessary operations and costs through automation and mechanization of processes, staff development to improve productivity;

2) Development of IT-infrastructure. You can solve the problem by raising the level of efficiency of CIS, adaptation server architecture under increasing flows of data transaction systems. In addition, the need for integration of production facilities in the CIS, the introduction of innovative information technologies;

3) Ensure effective management of product costs through the introduction of automated accounting systems and systems of cost accounting of the Company;

4) Establishment of an effective automated system of management accounting by integrating all automated accounting systems;

5) Increasing the profitability of socially significant services by raising tariffs for the payment of pensions and benefits, as well as tariffs for public postal services.

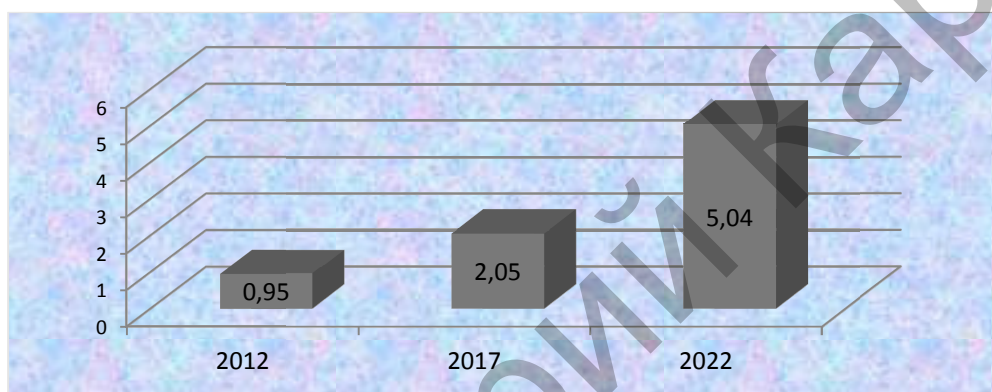


Figure 3. Projected net income, bln tenge  
(compiled by the author)

According to Figure 3, the planned increase of net income from operations in 2017 is expected to increase by 2.2 times, and by 2022 - more than 5 times. As a result, revenue per 1 employee is expected to grow nearly 3 times, labour productivity from the provision of postal services — by 1.8 times, from the provision of financial services — 3 times.

5. Development of brand reliability and quality. The purpose of this direction is to form the population of brand loyalty «Kazpost.»

The main objectives of the strategic areas of activity:

1) To ensure consistent quality of services provided. This is to be achieved on the basis of:

- Strengthening the monitoring of compliance and control within the landmark dates in order to increase the proportion of letters and parcels delivered on time within the country;
- Strengthen controls to ensure the safety of postal items;
- Reducing the number of failures of service;

2) To provide first-class service through:

- Improving the quality of service in post offices by reducing waiting times, improve the design and improvement of equipment of offices;
- Improve the efficiency of communications between clients and the company to provide complete information on services, tariffs and service parameters in the company;
- The introduction of customer relationship management;

3) Ensure that the perception of the Company's image as a reliable partner and a professional service provider in its field of competence:

- Conducting benchmarking on key financial and operational performance with successfully developing the postal administrations and the use of international best practices;
- Improving the effectiveness of the Company's policy to inform the local and international community on the achievements of the Company.

6. The development of institutional capacity. The purpose of this direction is to increase the efficiency of management of «Kazpost» to the achievement of the corporate governance rating of at least 85% by 2022.

The main objectives of this area are:

1) Create an effective management system and development of human resources based on:

- Automation of HR administration, accounting, labour and accrual for the concentration of HR-departments on problems of human resources;
- Implement a comprehensive system of selection, recruitment, adaptation, evaluation, promotion and motivation;
- Implementation of the system of accumulation and transfer of knowledge in the Company;
- Creating conditions to reduce stress and improve employee satisfaction due to annual indexation of wages, build the necessary social package and continuous professional development of staff;

2) Improve the effectiveness of change management through the introduction of a system of project management and balanced scorecard;

3) Ensure the effectiveness of the company's interaction with external stakeholders. It is planned to raise the level of corporate governance, primarily to comply with the interests of the inhabitants of rural areas and people are socially important services to use all reasonable means to maintain and improve service in rural areas with the involvement of government support measures.

Table 2

#### Key indicators of «Kazpost» in the context of the strategic directions

Indicators	Years		
	2012	2017	2022
1. Expansion of the core business «Postal Services»			
Revenue, mln. tenge	12542,4	18876,3	28830,7
2. Strengthening the logistics functions and preparing to enter the foreign market			
Logistics operator level		2PL	3PL
3. Becoming a full-fledged banking business			
Revenue from financial services, mln. tenge	12192,4	19899,5	29982,0
The number of active cards, thousand units	65	338	1254
4. Increase operational efficiency			
Net income bln. tenge	0,95	2,05	5,04
Income per worker 1 mln. tenge / person.	1,59	2,69	4,59
Productivity of postal services, mln. units	15,6	23,14	27,1
Productivity of financial services, mln. units	47,27	80,65	140,0
The share of automated OPS%	84,0	97,0	100,0
5. Development of brand reliability and quality			
Percentage of clients satisfied grocery services of Company,%	84,9	88,0	91,0
The proportion of customers who are satisfied with Company services,%	80,4	83,0	87,0
The share of industrial facilities that require major repairs,%	60,0	30,0	10,0
6. The development of institutional capacity			
Turnover, %	23,0	15,0	10,0
Corporate governance rating,%	64,0	75,0	85,0

Note. Compiled by the author.

According to Table 2, «Kazpost» aims to enhance the core business, which will lead to an increase in the share of revenues from parcel shipments by 8.5 percentage point increase in the share of fast, express and courier delivery — by 7.5 percentage points.

**Sources of financing programs for 2012–2015 in the framework of the Strategy for the Development of «Kazpost» up to 2022, mln. tenge**

Sources of financing	Total	Years			
		2012	2013	2014	2015
Second-tier banks	5799,2	2000,0	2623,3	1175,9	-
Own funds	4500,0	1394,5	632,8	977,0	1495,7
Replenishment of the authorized capital	6684,3	-	2084,1	3178,1	1422,2
Total	16983,5	3394,5	5340,2	5331,0	2917,9

Note. Compiled by the author.

According to Table 3, in the total amount of funds the Company's own funds amounted in 2012 41.1%, in 2013 — 11.8%, in 2014 — 18.3%, in 2015 — 51.3%. In this case, investment needs and sources of funding for the years 2016-2022 will be adjusted in the development of the Company's development plan for the next 5-year period.

Postal administrations of different countries who demonstrate the most stable growth in its development using one of the following scenarios:

1. The development of the traditional market of postal services by offering additional services. In particular, introduced to the market services such as Direct Mail, shipping and billing notification covering market parcel shipments.

2. Diversification based on the core business, i.e., increases production, transport and information infrastructure, forming strategic partnerships are logged on domestic or regional markets of logistics services.

3. Diversification to non-core markets through the use of a wide production network for access to markets requiring wide coverage with minimal investment, such as financial services, insurance, sale of STP.

It should be noted that in recent years «Kazpost» implements the third scenario, using as a medium-term strategy possible coverage branch network in the country to diversify the financial market, stabilize their financial condition on the background of falling volumes of written correspondence. In the aspect of long-term planning company is considering entering the market settled down logistics services, which will benefit from the experience and infrastructure of the postal operator to create a competitive advantage in the marketplace 2 PL.

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## Қазақстан Республикасы пошта саласына 2022 жылға дейінгі «Қазпошта» АҚ даму стратегиясының маңызы

Қазіргі таңда индустриалды-инновациялық даму бағытын алған Қазақстан Республикасы үшін ақпараттық-коммуникациялық технологиялар және пошталық байланысты дамыту негізгі басымдылық болып табылады. Авторлар ел ішіндегі Ғаламтор-пайдаланушылар санының өсуі көрінгенімен, электронды сауданың қарқынды дамуы, «е-үкімет» қызметі мен пайдаланушылар сандарының өсуі, халыққа сапалы қаржылық қызмет көрсетуге деген сұраныс тек қана электронды поштаны пайдаланушы ауылдық аймақтарда сұранысқа ие болып отырғандығын айтады.

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## Значение стратегии развития АО «Казпочта» до 2022 года для почтовой отрасли Республики Казахстан

В настоящее время развитие инфокоммуникационных технологий и почтовой связи является одним из важных приоритетов для Республики Казахстан, которая взяла курс на индустриально-инновационное развитие. Несмотря на то, что в стране наблюдается значительный рост количества Интернет-пользователей, интенсивно развивается электронная коммерция, растет количество услуг и потребителей услуг «е-правительства», подчеркивают авторы, ощущается потребность в предоставлении качественных финансовых услуг населению и бизнесу, особенно в сельской местности, где кроме почты не представлены никакие другие структуры.

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