

Draft Outline of Corporate Plan for India Post

A. Contours of a Corporate Plan

The Corporate Plan of an organisation consists of a number of business plans.

A business Plan involves:

- (i) A detailed plan, setting out objectives of business, over a stated period 3, 5 or 10 years
- (ii) Quantifying multiple objectives
- (iii) Outlining the strategies and tactics for achieving the objectives
- (iv) Necessitated by a major change in policy
- (v) Furnishing monthly cash flows and production figures for at least 2 years, with diminishing detail in subsequent years
- (vi) Furnishing anticipated profit and loss account on quarterly basis for first 2 years

B. Business Objectives

Vision: A socially committed organization connecting individuals and businesses.

Goal:

1. Post within easy reach of all by year 2013-14.
2. To be a focal point for delivery of all social security schemes of the State by the year 2011-12.
3. To be a self-sustaining organization by the year 2013-14.
4. To increase financial inclusion of the unbanked population by at least 10% by the year 2013-14.

Objectives:

1. To provide basic postal facilities, i.e., collection and delivery of mails, within easy reach (1.5 kms) of all people and businesses. This is to be achieved through opening of more post offices, relocation of existing post offices, giving out franchisees to individuals, shops, institutions, self-help groups, etc. By March

2012, 3000 post offices and 10,000 franchisee outlets are proposed to be opened.

2. To : (i) seek out aggressively MOU with State / Central Governments for delivery of all social security schemes through post office by the year 2010-11; (ii) Computerize and network all post offices by the year 2011-12 so that information regarding delivery of social security schemes can flow on real time basis.

3. To be a self-sustaining organization by :

(a) Increasing the growth in revenue from the existing CAGR of 6% per annum to more than 12% per annum, so as to more than double the revenue from the existing Rs.5500 crore in the year 2007-08 to Rs.12,000 crores in the year 2013-14. The increase in total revenue in the year 2009-10 is targeted to be Rs.890 crores, Rs.1350 in 2010-11, Rs.1350 crores in 2011-12, Rs.1400 in 2012-13 and Rs.1400 crores in 2013-14. The major components of the increase in revenue are the following:

i) To increase the growth in traffic of mail volumes from the existing declining and near stagnating state by 50 crores in the year 2009-10 and thereafter increase of 100 crores in each of the subsequent years 2010-11, 2011-12, 2012-13, 2013-14. Thus the total mail volume in the year 2013-14 would be approximately 1100 crores. As the focus would be mainly on increasing the mail volume through bulk mails such as financial statements pertaining to credit cards, mobile services, insurance, etc., the average revenue per article can be taken as at least Rs.3/-. Consequently, the incremental revenue on account of growth in mail volume would be Rs.150 crores in the year 2009-10, and Rs.300 crores in each of the subsequent years 2010-11, 2011-12, 2012-13, 2013-14.

ii) To increase the growth in traffic of registered articles from the existing near stagnating state (20 crores) by 10% so as to increase the traffic by 50% in five years time. This would mean an incremental traffic of 2 crores in each of the subsequent years, i.e., 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 so that the total traffic in the

year 2013-14 would be 30 crores. Consequently, the increase in revenue would be Rs.50 crores in each of these years.

- iii) To maintain the growth in traffic of Speed Post articles at the existing 15% to 20% and continue to be a market leader in express segment. The increase in revenue on account of Speed Post is targeted to increase from the existing Rs.455 crores by Rs.100 crores in 2009-10, and by Rs.150 crores in each of the remaining years 2010-11, 2011-12, 2012-13, 2013-14. Consequently, the revenue on account of Speed Post is projected to be Rs.1155 crores in 2013-14.
- iv) To have a focussed approach on parcel products including e-commerce and logistics by devising customized products including the facilities of tracking the movement of these products. The revenue on account of parcel products including e-commerce and logistics is targeted to increase by Rs.100 crores in 2009-10, and by Rs.200 crores in each of the remaining years 2010-11, 2011-12, 2012-13, 2013-14. Consequently, the revenue on account of parcel products including e-commerce is projected to be Rs.940 crores in 2013-14.
- v) To have a focussed approach on the global business comprising of international mails, parcels and financial remittances so as to generate an incremental revenue of Rs.10 crores in 2009-10 and Rs.50 crores in each of the years 2010-11, 2011-12 and Rs.100 crores in each of the years 2012-13 and 2013-14. Consequently, the revenue on account of global business is projected to be Rs.310 crores in 2013-14.
- vi) To increase the growth in traffic of financial remittance from the existing near stagnating trend so as to more than double the revenue from financial remittance in five years time. The existing revenue on account of financial remittances (Money Orders) is targeted to increase from the existing amount of Rs. 375 crores by Rs.50 crores in 2009-10 and Rs.100 crores in each of the remaining years 2010-11, 2011-12, 2012-13, 2013-14. Consequently, the revenue on account of financial remittances including Money Orders is projected to be Rs.825 crores in 2013-14.

- vii) To increase the number of savings accounts of all types by 1 – 1.5 crores additional accounts in each year so as to increase the number of accounts from the existing 17.3 crore to 22 crore, i.e., an increase of 30% by 2011-12. Assuming a modest increase in remuneration per savings account, the increase in revenue on account of Savings Bank is targeted at Rs.180 crores in 2009-10 and Rs.200 crores in each of the remaining years 2010-11, 2011-12, 2012-13, 2013-14. Consequently, the revenue on account of savings accounts is projected to increase from the existing Rs.2170 crores to Rs.3150 crores in 2013-14.
- viii) To increase the revenue on account of Cash Certificates from the existing Rs.430 crores by Rs.50 crores in each of the subsequent years 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 so as to achieve a target of Rs.700 crores in 2013-14.
- ix) To increase the revenue on account of mutual funds by Rs.50 crores in 2009-10 and Rs.100 crores in each of the remaining years 2010-11, 2011-12, 2012-13, 2013-14. Consequently, the revenue on account of mutual funds is projected to be Rs.450 crores in 2013-14.
- x) To increase the revenue on account of postal life insurance and rural postal life insurance from the existing Rs.200 crores in the year 2007-08 by Rs.100 crores in each of the subsequent years 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 so as to achieve a target of Rs.700 crores in the year 2013-14.
- xi) To increase the revenue on account of Retail Post/Business from the existing Rs.100 crores in the year 2007-08 by Rs.50 crores in each of the years 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 so as to achieve a target of Rs. 350 crores in the year 2013-14.

TABLE - 1

Targeted Increase in Revenue Year-wise (in Rs. crores)

Activity	2009-10	2010-11	2011-12	2012-13	2013-14
Mails	150	300	300	300	300

Registered Articles	50	50	50	50	50
Speed Post	100	150	150	150	150
Parcel products including e-commerce	100	200	200	200	200
Global Business	10	50	50	100	100
Financial Remittances	50	100	100	100	100
Savings Bank	180	200	200	200	200
Cash Certificates	50	50	50	50	50
Mutual Funds	50	100	100	100	100
PLI/RPLI	100	100	100	100	100
Retail Post/Business	50	50	50	50	50
TOTAL	890	1350	1350	1400	1400

(b) Increasing Productivity: To Increase productivity defined as revenue per employee from the current productivity of Rs.1,10,000 to Rs.2,40,000 per employee in the year 2013-14. No significant reduction in man power is considered to support incremental revenues as planned. Through productivity improvement initiatives, current manpower is to be redeployed where necessary to support the revenue increase.

4. The financial inclusion of the unbanked population especially in the rural areas will be increased through a combination of opening of accounts in the post office savings bank, financing of self-help groups by the post office, and collaboration with banks, etc. Apart from the objective of opening 5 crore additional savings accounts of all types by 2011-12 as mentioned in para 3 (vii) above, another 5 crore people in the rural areas is proposed to be targeted by

having tie-ups with self-help groups and other financial institutions including banks.

Apart from setting out the objectives and quantifying them and specifying strategies, a corporate plan which is an aggregate of a business plan of each of the products, also require furnishing of not only monthly cash flows but also production figures for at least two years with diminishing details in subsequent years. Moreover, a corporate plan would also require an anticipated profit and loss account on quarterly basis for first 2 years. This would require accurate estimation of costs for each product based on use of resources. As India Post handles a large number of products and as yet there is no methodology of allocating cost to each of the products separately, a business plan showing a cash flow for each of the product line is, therefore, presently not possible.

However, for some products such as Speed Post if it is decided to outsource all the operations then we can have a fairly accurate assessment of cost of running this service. In such a situation, we can have a business plan for Speed Post.

In order to have a proper corporate plan of the Department, it is essential to have a costing methodology which can attribute costs separately to each of the products. One way of doing this is to follow an Activity Based Costing (ABC). This in turn would require maintaining records of manhours consumed for each of the activities involved in delivering a product. To start with, it may not be possible to maintain such records on a census basis. India Post can go in for a stratified random sampling for this purpose so that the same can facilitate Activity Based Costing of the products. The remaining part of the fixed cost which could not be possibly attributed to any of the products can be allocated to each of the product based on attributable cost method.

For the purpose of a corporate plan, presently at best we can have revenue generation for major services/expenditure of the Department year-wise. This can be the nearest which can go to a cash flow which is an essential component of a corporate plan (as also a business Plan). Till such time a

methodology is developed for allocating costs to each of the Products separately, the format in which the revenue generation/expenditure year wise can be captured for the Department as a whole is indicated below:

TABLE-2 (To be based on actuals for 2008-09 and incremental revenue proposed in Table-1)

**Corporate Plan indicating year-wise revenue
Generation for major services**

(Rs. In crore)

Product/Service	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Postage realised in Cash for Ordinary Services						
Postage realised through sale of postage stamps						
Speed Post						
Business Post						
Express Post						
Commission on MO/IPO						
Remuneration on Savings Bank						
Remuneration on Savings Certificate						
Other Receipts (other than PRC)						
TOTAL						

Note: Other products can also be added.

TABLE-3
Corporate Plan indicating year-wise
Expenditure

Category of Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Pay & Allowances						
Conveyance of Mails (Rail & Air)						
Accounts & Audit						
Maintenance of Assets						
Pension						
Stamps, Post cards, etc						
Stationery & Forms printing, etc (excluding Pay & Allowances)						
Net Expenditure						

Total Revenue						
Net Expenditure						
Deficit/Surplus						

On the above line, it is also possible to prepare a corporate plan for major services for each Circle.

Strategy

A different kind of a model is required to bring the Post within easy reach of all by the year 2013-14. Large-scale urbanisation, migration of labour force, increasing emphasis on expansion of education sector in terms of opening of new colleges and universities, etc., would lead to a huge demand to provide basic postal facilities to all these areas. The objective of providing basic postal facilities within easy reach (defined as within 1.5 km) cannot be achieved by opening more post offices. The objective of opening of post offices would be expensive and would go against the other objective of financial self-sufficiency. Accordingly, the strategy would be more on giving out franchisees to individuals, shops, institutions, etc. This would reduce the cost of achieving this objective, besides bringing in additional revenue to the Department.

India Post also needs to address the issue relating to definition and cost of its Universal Service Obligation through legislative enactments. Universal Service Obligation can be defined as providing universal access to basic postal facilities in all parts of the country, including, tribal, hilly and remote areas, at affordable prices. There can be either an activity definition of USO or a product definition of USO. The product definition focuses on the core letter product that is delivered throughout the country at a uniform rate, whereas the activity definition focuses on an activity like delivery that the administration must provide although it does so at a loss. As under USO, the service is generally being provided at a loss, it is made good by profits elsewhere. There is therefore a need to measure the Cost of Universal Service (COUS) which is required to be factored into pricing decisions. COUS can be calculated either by the Net Avoided Cost method (NAC) or by the Entry Pricing method (EP).

The KPMG in a study titled "Roadmap to achieve financial self sufficiency" in December 2005 have suggested the following products/services to be covered by India Post in its USO definition.

Product/Service	Limit for USO
Postcard/Letter Card/Letter/Packets	2 KG

Parcels	20 KG
Blind literature	7 KG
Newspapers	30 KG
Registration	NA
Acknowledgement	NA
International reply coupons	NA
Money Orders	Rs.5000

Apart from affordability, accessibility to postal services is another criteria which can be measured using several parameters like (a) accessibility to a postal facility (b) accessibility to a collection facility (c) frequency of delivery (d) frequency of collection. The KPMG study has suggested the following criteria:

Criterion	Value
Density of Postal facility	Urban – density of PO could be one per 3.22 sq. km Rural – one per 5333 persons
Density of Collection facility	A fixed/moveable facility at a designated location open for pre-decided number of hours where unaccounted USO products will be collected by representative of all India Post.
Frequency of Delivery	Once every day, six times a week
Frequency of Collection	Once every day, six times a week

The estimate of USO compensation made by M/s KPMG was Rs.668 crore for 2004-05. The USO cost would need to be calculated every year to account for the annual changes in the cost of manpower and infrastructure deployed to fulfil USO.

The funding of USO could be from: (i) Government funding--- the government is responsible for funding any deficit incurred in operation of universal postal services;(ii) Industry funding-- in this model, other postal players pay a fee for the operation of universal postal services by the public postal operator;(iii) Reserved price area-- a specific area of service reserved for the universal service provider so that revenues from reserved area help in

financing the universal postal services. The reserved service area must be clearly defined on the basis of three elements: (a) class of service (b) item weight (c) price protection for reserved services.

These are issues which need to be given a legal basis by having them incorporated in the Indian Post Office Act.

To be a self sustaining organisation

(a) DOP at present is having deficits in its financial accounts owing to high level of operational cost. The high levels of expenditure outweigh the revenue earned from various sources. There is a need to achieve financial self-sufficiency through alternative/new means of raising revenue and pruning of cost through induction of technology and skill upgradation of the workforce.

TABLE-4

Financial Performance of India Post in recent years

(Rs. in crore)

Years	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Revenue Receipts	4009.70	4256.93	4431.85	5023.49	5322.44	5494.90
Total Expenditure	5374.05	5632.15	5813.69	6233.37	6571.96	6957.47
Deficit (-)/ Surplus (+)	-1364.35	-1375.22	-1381.84	-1209.88	-1249.52	-1462.57
Deficit as a % of Expenditure	25.39	24.42	23.77	19.41	19.01	18.07

The average growth rate of revenue receipts and expenditure of India Post from 2002-03 to 2007-08 has been to the tune of 7.4% and 5.3% respectively.

There are **several triggers for revenue growth** in the medium term, as mentioned below:

- Sustained high economic growth to be accompanied by increase in mail volume traffic.
- Growth of the service sector of more than 10% with 'trade, hotels, transport and communication' services growing at 12.1% during 2007-08.
- Growth in revenue from premium products at more than 30%.
- Huge potential for e-commerce market.
- Growth in money transfer services.
- Insurance penetration in the rural areas.
- Growth in parcel/logistics posts.
- Commercial exploitation of land bank.
- Delivery of social security schemes like NREGS, Old Age Pension, etc.

On the other hand, India Post would resort to cost cutting in operations through use of latest technology, computer networking, skill upgradation and manpower rationalisation.

There is a downside risk associated with the anticipated revenue growth, i.e., possible losses of assured remuneration from SB/CC operation as most state governments are revenue surplus because of the 12th Finance Commission award and various fiscal reforms.

Assuming a growth of 12% in revenue receipts and 6% in expenditure together with increase in salaries of 6th Pay Commission report on salaries and pension during 2008-09 as a result of the implementation of the 6th Pay Commission Report, the projections for Revenue and Expenditure in the next five years would be:

TABLE-5**Projections**

(Rs. In crore)

Years	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total Revenue Receipts	6100	6990	8340	9690	11090	12490
Total Expenditure	10115	11850	10650	11200	11700	12200
Deficit (-)/ Surplus (+)	-4015	-4860	-2310	-1510	-610	290

Note: Proposed expenditure in 2010-11 is less than 2009-10 because expenditure in 2009-10 would include 60% arrears of 6th Pay Commission.

To increase revenue, the business strategy should focus on the following:

1. Ordinary Mail volume
2. Express Market particularly Speed Post
3. Parcels particularly e-commerce
4. Financial remittances
5. More Savings Bank Accounts
6. Insurance Business

Focus on increasing ordinary mail volume/Express segment:

(i) The high growth in the Indian economy will help in increasing the mail volume. Two areas which can provide huge growth in this respect are (a) the bill segment; and (b) packets; particularly for the B2C and B2B segments.

(ii) Express products/services like the Speed Post is a source of huge volume growth as well as a potential source of revenue. India Post needs to focus on this segment for achieving its objectives of financial self-sufficiency.

TABLE-6

Trend of actual growth in mail volume (2004-05 to 2007-08) together with projections for the period 2008-09 to 2013-14

(in crore)

Years	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Unregistered Mail	714.61	649.21	645.98	649.21	652.46	685.08	787.84	906.02	1000	1100
Registered Mail	21.42	20.85	21.73	21.95	22.17	22.83	25.57	28.64	29.25	30
Speed Post	9.59	10.86	12.86	14.79	17.75	21.30	26.62	33.27	37.00	40
Total Mail Traffic	745.62	680.92	680.57	685.95	692.38	729.21	840.03	967.93	1066.25	1170

To achieve the projected growth it would require: (a) improving the quality of service by streamlining operations, and (b) working with stakeholders to increase the mail flow through the India Post system.

Quality of Service: The customer should be considered the most valuable element in the business plan for individual postal products. Ensuring timely and quality service to customers is the prerequisite for retaining the present market share of the India Post and also for expanding it. For this, certain service standards have to be fixed and monitoring of delivery has to be ensured. Networked hand-held digital devices could be developed to be carried by Postmen/Postal staff to enable not only delivery of articles and intimation of their status in real time, but also for booking of articles and offering other services like accepting deposits, bill payments, etc. A policy of allotting exclusive pin codes to bulk mailers could also be followed which will increase the customer base in addition to cutting cost for DOP.

India Post has adopted a Citizen's Charter to serve as a guideline charter for the post offices across the country to formulise and state India Post's commitment towards improvement of services with the customer focus. The delivery norms are as under:

Mail Destination	Date of Delivery
Within city/town/district	Within 2 days after day of posting
Inter-metro	Within 2 days after day of posting
Within state	Within 3 days after day of posting
Inter-State capital	Within 3 days after day of posting
Inter-State	Within 5 days after day of posting

Similarly, the norms for Premium services would be:

Type of Service	Day of Delivery
Speed Post	1-3 days depending upon distance/destination
Express Post	2-4 days depending upon destination
e-Post	1 day between e-Post centres

Induction of Technology/Automation: The need for large scale technology induction and automation is required not only to cut cost but also to improve the quality of service. Towards this goal, India Post has already started setting up the Mail Business Centres (MBCs) as a key component for mail management. The MBCs are envisaged as frontline business wings of India Post offering one stop solution for varied mailing needs of the customers, undertaking the task of collection, processing and delivery of bulk mail. The results are already visible in 2006-07. The unregistered mail has declined only marginally by 0.5% while the registered mail has, in fact, gone up by 4.2%. For faster mail movement and

improved quality of service, Automated Mail Processing Centres (AMPCs) are also being set up.

Parcels/Logistics

Parcel and Logistics Post are expected to be the major sources of revenue in the coming years. Major parcel hubs will be provided with automatic parcel sorting systems, RFID systems, fork lifts, etc. There is a need to focus on the supply chain management by providing distribution channels, inventory management, packaging services, warehousing, transportation and time-definite programmes. Special aircrafts for postal mail has also become operational in the North East and will very soon be utilised in other parts of the country.

Utilising the e-commerce potential: Once the networking of post offices is completed, India Post can start various online services.

Financial Services

This includes a comprehensive gamut of services including postal saving banks, provision of credit, selling of insurance products, etc. India Post can also provide such financial services on behalf of other public/ private service providers leveraging its vast network. A process re-engineering of POSB operations is required including counter operations, back office operations, accounting and audit trail.

India Post can play an effective role in the Government of India's overall objective of ensuring inclusive growth in the country by granting credit to self help groups (SHGs) by utilising its vast network.

Money transfer can be an important component of the financial service and the scope of instant Money Order (iMO)/electronic Money Order (eMO) can be extended by tying up with international payment gateways. India Post can also retail foreign exchange to individual resident Indians going abroad. With increasing monetisation of Indian economy, there is a huge potential in the money remittance market. In fact, several agencies have come in the market with innovative products to facilitate the remittances. Money remittance market of India Post which is at about Rs.8000 crores is nothing compared to money remittance market of China Post which is about Rs.1,50,000 crores. Further,

with increasing penetration of telecom network through mobile technology, India Post would need to use the mobile technology for facilitating financial remittances. The combination of new products and improvement in the quality with technology as an enabler can help in doubling the financial earnings, besides significantly cutting the cost of operations.

Tech-savvy Workforce: Almost 90% of the expenditure incurred by DOP is on salaries and pensions. This implies that DOP is heavily dependent on its workforce for delivering results. Hence, it is imperative to impart computer training and other skill upgradation courses to the workers and officers of various levels so that they can utilise the latest technology being inducted by the Department for improving the quality of its service and for cutting cost.

Insurance

Extending Rural Postal Life Insurance (RPLI) services particularly to the small and marginal farmers who constitute more than 80% of the farming community would also be a great service to the nation apart from bringing additional source of income. Upscaling of rural insurance is a distinct possibility and can be a major contributor in achieving financial self-sufficiency of the Department.

Retailing

There is a tremendous scope of leveraging the postal network in respect of retail/counter services particularly in the rural areas. The retailing would also cover distribution of applications forms for mutual funds/bonds, etc. However, the post offices must be adequately equipped with modern technology including computers specially for operating the NREGS of the govt of India.

Global Foothold The rapid growth of the Indian economy and its increasing integration with the international market is giving rise to new opportunities. As part of the GATS agreement under the WTO, various services are required to be opened up by the member countries for each other's entry. The postal sector particularly the express services and financial services would provide a great opportunity to India Post to penetrate the markets of other countries particularly

in the less developed economies (LDCs). India Post can also tie up with the postal administrations of other countries to partner in business ventures by leveraging the strength of India Post, for example, in opening up sorting office, retail outlets, logistics and hybrid mail products, international money transfer, etc.

Estates Management

Investment will be required to provide functionally useful modern space for the post office operations, improve the general ambience and aesthetics of postal buildings and provide convenient, modern facilities and amenities to customers. It is necessary to design buildings to reflect the brand image of India Post, which needs to be evolved. DOP has already started the process for setting up a special purpose vehicle (SPV) for management of Postal Estates for the purpose of optimal utilisation of postal land.

Customised solutions

The customers particularly the large corporate ones prefer innovative products and customised services. For this, there is a need to develop market research centres, innovation centres, etc., for carrying out academic research and for creation of a knowledge bank; for developing a market intelligence system to increase brand visibility; become media savvy including preparation of a media plan; to attract customers to the post offices through promotional offers and incentives. Air cargo solutions can also be planned for large customers.

Policy Issues

India Post may need to restructure itself in a way which would enable it to compete and exploit the opportunities in the market. This may necessitate setting up subsidiaries and joint ventures on priority. Through joint ventures and contracts, India Post can move aggressively into banking services of all kinds and may also consider setting up of its own banking operation. Bulk of revenue can come from the banking ventures as in case of Brazil. Further, life insurance sales could be a good business venture for India Post. It can target farmers, low income urban residents and migrant workers. The Rural Postal Life Insurance (RPLI) which started in 1995, may be further strengthened, if need be, by setting up a company.

Survival of an organization in a competitive environment requires a level playing field. This kind of level playing field is lacking in case of India Post. It is having a USO burden which is not being shared by other private service providers. There may be a case for setting up a USO fund, as has been done in the telecommunication sector. In the interest of long term sustainability of any solution, there could be a need for an independent agency which would decide on the cost of USO and the amount to be contributed by different postal operators towards the USO fund for financing the USO. All these are issues of vital concern which may have to be addressed through legislative enactments.

As a pricing policy, India Post can operate either on a variable cost and/or on a cost plus principle both of which would contribute in decreasing its deficits. However, this would require a change in methodology of costing based on accurate estimation of costs. ABC method of costing can be considered which may require maintaining the relevant data.

Prices also need to be fixed on market considerations. This would require estimates of demand functions together with demand elasticities. Regular market surveys to have a good idea of market structure and market share of competitors for the different products and services may be required. Differential pricing may also be resorted to especially with lower tariffs for local metros and big urban areas, as is being offered by the competitors. This is also because factors like postal density and other variables such as grouping index (vertical concentration of houses) reduce the cost of delivery substantially. Access pricing as an option for offering the last mile segment to its competitors can also be considered, as this can bring in substantial additional revenue to the Department.

There is, therefore, a need for product analysis based on cash flow. Strategies directed towards improving the quality of the service, reducing the cost of operation, and having a proper pricing policy is required. A comprehensive Corporate Plan besides addressing the above issues would also require a re-look at the structure of the organization.