ANCOM
National Authority for Management and
Regulation in Communications of Romania

2 Delea Noua Street, Bucharest 3, 030925,Romania
Phone: +40 372 845 400 / +40 372 845 454. Fax: +40 372 845 402
E-mail: ancom@ancom.org.ro. Website: www.ancom.org.ro

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Survey on the quality of parcel services and the impact of e-commerce on the postal services market, during 2017

Contents

I. Introduction

Considering the sector as a whole, in the recent years, based on the evolution of the indicators monitored by the National Authority for Management and Regulation in Communications, hereinafter referred to as *ANCOM* or the *Authority*, in the Romanian postal market, besides the decreasing volumes of correspondence traffic, there was a noticeable increase in terms of the postal parcel traffic[1].

These trends can also be found at intra-Community level, two possible explanations of these phenomena being the substitution of traditional postal services by digital communication means, and the growth of the e-commerce industry, which has generated large volumes of traffic in the recent years, once with the online buyers' contracting postal services for the delivery of the purchased goods. Therefore, the Authority has undertaken *to monitor the quality of parcel services in Romania*, on the one hand, and *to monitor the impact of e-commerce on the postal services sector*, both in terms of traffic and revenue, and in respect of other ways by which the e-commerce industry influences the postal services field.

Currently, the European Commission and national regulators do not have accurate information on the quality of parcel services in the Member States and on the dynamics of traffic volumes generated by e-commerce. ANCOM is among the first authorities in the EU to propose the activity of monitoring these issues as a strategic action line, especially given that - in the postal services market - the quality of parcel delivery processes and the increased parcel traffic can help buoy up the industry.

Therefore, in 2018, ANCOM took steps for carrying out this *Survey on the* ***quality of parcel services and the impact of e-commerce on the postal services sector*** *in Romania* in 2017.

[1] https://statistica.ancom.org.ro:8000/sscpds/public/files/154_ro The postal services market in Romania in 2017, item 4.3. – Postal traffic, by category.

II. Methodology

The data that the Authority aimed to obtain through this survey focused on two distinct categories of indicators, i.e.: specific indicators regarding the quality of parcel services and distinct indicators regarding the impact of the e-commerce industry on the market.

II.1. Questioning the providers

ANCOM laid down a questionnaire including the above-mentioned indicators classified by the two major topics of the survey, as follows:

II.1.1. Quality of parcel services in Romania in 2017

With a view to obtaining relevant information on the quality of parcel services, the following specific indicators have been identified and laid down:

- ***whether the provider performs quality measurements*** on parcel-processing postal services: the answer allowed only two options (*yes* or *no*);

- ***frequency of quality measurements***: in this case, service providers have been given the opportunity to state precisely whether they carry out the relevant quality measurements *permanently*, *on a monthly basis*, *once a year*, *twice a year* or *otherwise*, with the possibility of detailing the alternative;

- ***the way in which quality is monitored***: *according to an internal procedure/methodology, according to a procedure/methodology implemented by a third party* or *otherwise*, with the possibility of detailing the alternative;

- ***the resources and the means involved in the performance of quality measurements***: in this case, the providers were asked to state whether they were using their *own resources* or *resources belonging to a third party* for the purpose of carrying out quality measurements;

- ***costs triggered by the quality measurements***: the respondents were required to quote the exact amount or to approximate the level of costs involved in the quality measurements performed over the past few years;

- ***indicators monitored by providers, through quality measurements***: the providers had the possibility to identify these indicators in a set of indicators laid down by the Authority (the list proposed by ANCOM included: *delivery terms, number of complaints regarding delays, number of complaints regarding damaged items, number of complaints regarding lost/undelivered items, number of complaints regarding staff behaviour, number of complaints regarding the lack of technical equipment*, and *other indicators,* with the possibility of detailing them);

- ***delivery terms for domestic parcels***: in this case, the providers reported the parcel delivery terms as assumed under their contract with the users: *Z+1, Z+2, Z+3*, or other delivery term;

- ***the results of quality measurements carried out by suppliers during the years 2016 and 2017*** classified into the following distinct categories of postal items: *domestic parcels ≤ 2 kg, domestic parcels> 2 kg* (subject to the services: *Standard, Advice of delivery, Insured items, Special delivery, Change of destination, Express* and *Cash on delivery*)*;*

- ***number of complaints addressed to suppliers in connection with the processing of postal items,*** identifying the grounds on which they were based in a list proposed by ANCOM, i.e.: *failure to observe delivery term, loss of postal items, staff behaviour, damage to postal items, failure to pay the cash on delivery,* as well as *other reasons* with the possibility of providing further details thereon;

- ***postal service providers' investments for increasing the quality of parcel services:*** the Authority identified three categories of investments that drive to improved service quality, and gave the providers the possibility to mention and detail other investment measures they have implemented in their activity;

- ***factors that contribute to increasing service quality***: the Authority identified 5 possible factors that drive to improved quality of parcel services (*staff training, technology progress, innovation, staff remuneration and postal network optimization*), asking the respondents to rank the respective factors by their importance, with the possibility to mention and detail other similar factors.

II.1.2. Impact of e-commerce on the postal services sector in Romania in 2017

The e-commerce industry generates postal items, especially outside the scope of universal service (usually, parcels subject to services such as *Cash on delivery*, *Express*, *Special Delivery*, etc.). However, in accordance with the provisions of Recital no. 15 of the Preamble to *Regulation (EU) 2018/644* currently*,* at European level, approximately 80% of the parcels generated by e-commerce weigh less than 2 kg - being assimilated to the definition of *small parcels* - and are usually processed by universal service providers within their postal flows designed for letter post services[2].

However - given that small parcels are included in a category of postal items specific to the universal service provider only - in the case of the other postal service providers, according to the procedures of reporting to the European Commission, this reference category is processed and reported under the general category "parcels".

Therefore, for the purposes of this survey, parcels weighing less than 2 kg reported by postal service providers have been assimilated to *postal parcels* in the section on the impact of e-commerce on the postal services sector.

With a view to obtaining relevant information on the impact of e-commerce on the postal market, ANCOM identified and laid down the following specific indicators:

[2] In the Romanian legislation, *small parcels* are defined as those postal items containing goods with or without commercial value, to which correspondence-type documents can be attached, weighing up to (including) 2 kg, which follow the technological flow used for items of correspondence, as provided by the Universal Postal Convention and by the Letter Post Regulation (Art. 2, item 16[5], of Emergency Ordinance no. 13/2013 on postal services, with the subsequent amendments ans completions).

- ***postal traffic generated by e-commerce***: given the limited possibility for all postal service providers to accurately monitor these traffic volumes, ANCOM has allowed the providers to report also estimated amounts;

- ***revenues generated by e-commerce***: given the reduced possibility for all postal service providers to accurately monitor revenues from the processing of postal items generated by e-commerce, ANCOM has allowed the providers to report also estimated amounts;

- ***types of postal items generated by e-commerce***: in this case, the providers were asked to identify the types of postal items generated by e-commerce processed in their activity, by selecting among the following categories: *postal items ≤ 2 kg, postal items > 2 kg, domestic postal items, incoming cross-border postal items (imports), and outgoing cross-border postal items (export)*;

- ***number of complaints addressed to the providers on the processing of postal items generated by e-commerce***: the respondents were asked to classify the complaints into the following categories: *grounded complaints, ungrounded complaints, complaints solved with damage compensation, complaints solved without compensation, or unsolved complaints;*

- ***types of postal services generated by e-commerce and their frequency***: the Authority identified 6 postal services that could fit into the delivery flows for postal items generated by e-commerce; the providers were required to rank these services by frequency (the list proposed by ANCOM contained the following categories of services: *Registered items, Cash on delivery, Express, Special Delivery, Advice of delivery, Change of destination, etc.)*;

- ***provision of the service Track & Trace***[3] - the providers were asked to mention whether they provided the respective service or not within the distribution flows for postal items generated by the e-commerce industry;

- **categories of senders of postal items generated by e-commerce**: the Authority identified the following possible categories of senders of postal items generated by e-commerce: *e-commerce platforms*, *on-line stores*, and *other categories of senders*; the respondents were requested to sort them by frequency.

II.2. Sampling pool

For the purpose if carrying out this survey, we selected the top 29 service providers in order of traffic volumes that processed postal items consisting of parcels, totalling more than 95% of all the postal parcel traffic in Romania both in 2016 and in 2017, as most postal items generated by e-commerce fall under this postal flow category.

The 29 suppliers to whom ANCOM sent and asked to fill in the questionnaire described in detail in section II.1 are the following, in alphabetical order:

[3] Track & Trace = a service enabling the user to monitor the delivery process of a registered item, by electronic means.

1. Bârsan Trans S.L.;
2. Bookurier Logistic S.R.L.;
3. C Solutions S.R.L.;
4. National Company *Romanian Post*;
5. Dante Internațional S.R.L.;
6. Delivery Solutions S.R.L.;
7. DHL Internațional România S.R.L.;
8. Dragon Star Curier S.R.L.;
9. DSC Expres Logistic S.R.L.;
10. Dynamic Parcel Distribution S.R.L.;
11. Econt For You S.R.L.;
12. FAN Courier Express S.R.L.;
13. Fastius Curier S.R.L.;
14. GLS General Logistics Systems România S.R.L.;
15. ITS Express S.R.L.;
16. Maty Express S.R.L.;
17. NEMO Expres Logistic S.R.L.;
18. NEMO Prod Com Impex S.R.L.;
19. Poșta Atlassib Curier Rapid S.R.L.;
20. Romfour Tur S.R.L.;
21. Sprint Curier S.R.L.;
22. Tabita Tour S.R.L.;
23. TCE Worldwide Services S.R.L.;
24. TNT România S.R.L.;
25. Transilvania Post S.R.L.;
26. UPS România S.R.L.;
27. Urgent Cargus S.A.;
28. World Mediatrans S.R.L.; and,
29. X Curier Extrem S.R.L..

II.3. Data consolidation, verification, correction and analysis

Based on the answers received from the providers, all the resulting data were consolidated and analysed, against the background of certain statistical indicators reported to the Authority by the providers in 2017 and 2018 following their reporting obligation stipulated in ANCOM President's Decision no. 314/13 April 2017 on the reporting of statistical data by postal service providers.

Thus, we identified cases where the respondents' answers had not been harmonized with the statistical data reported to the Authority by the respective providers during 2017 and 2018, and we made the necessary corrections, upon clarifying the initially contradictory data over the telephone with all the providers.

Consequently, several issues have emerged regarding the quality of parcel services in Romania and the impact of e-commerce on the postal services market, the most relevant of which are detailed in the following chapters.

III. Quality of parcel services

After consolidating the answers received, the quantitative and qualitative analysis of the resulting data regarding the quality of parcel services revealed the following:

III.1. Measuring the quality of parcel services

Among the selected providers, 27 (93%) answered that they performed measurements regarding the quality of their parcel services. Concerning the frequency of quality measurements, 16 providers developed and implemented systems that measure service quality *permanently*, one provider performs quality measurements *on a weekly basis*, 5 providers – *on a monthly basis*, and 5 respondents implemented systems by which they measure service quality *once* or *twice a year*.

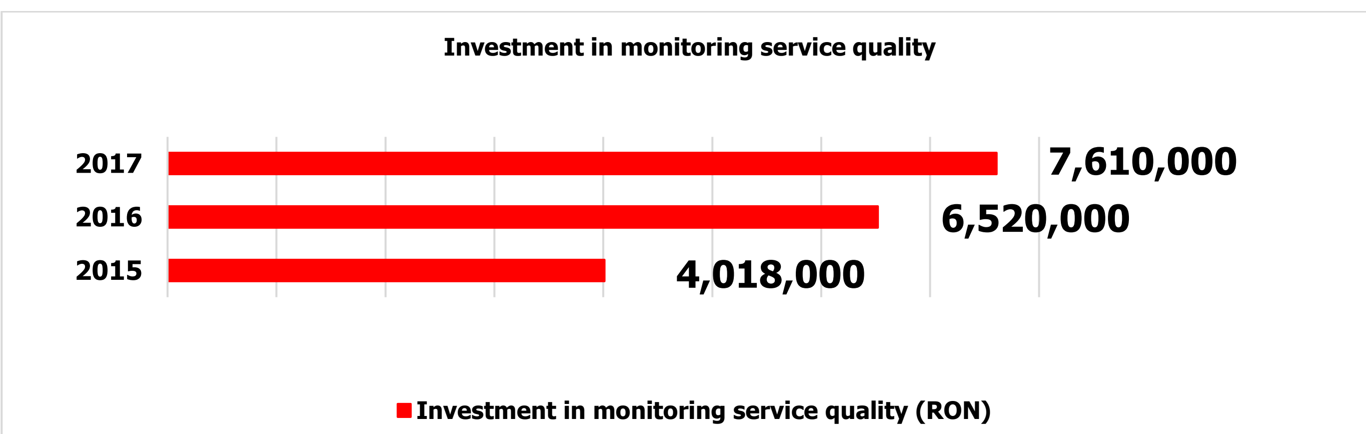
III.2. Quality measuring procedures

Among the respondents, 27 (93%) answered that they monitored the quality of their services only in accordance with internal working procedures developed and implemented at their own expense. One provider reportedly contracted the quality monitoring services from a third party, having developed a customized monitoring procedure and quality quantifying systems. One provider reported having implemented quality measurements both based on an internal procedure and based on a third party's procedure.

III.3. Costs

The analysis of the answers received under the *Costs* indicator revealed that the 29 selected providers invested considerable amounts in monitoring the quality of their parcel delivery services. Thus, in 2015, the total amount invested by respondents on quality measurements was RON 4,018,000, in 2016 it increased by 38%, to RON 6,520,000, and in 2017 - by 14%, to RON 7,610,000.

Investment in quality monitoring: 2015-2017

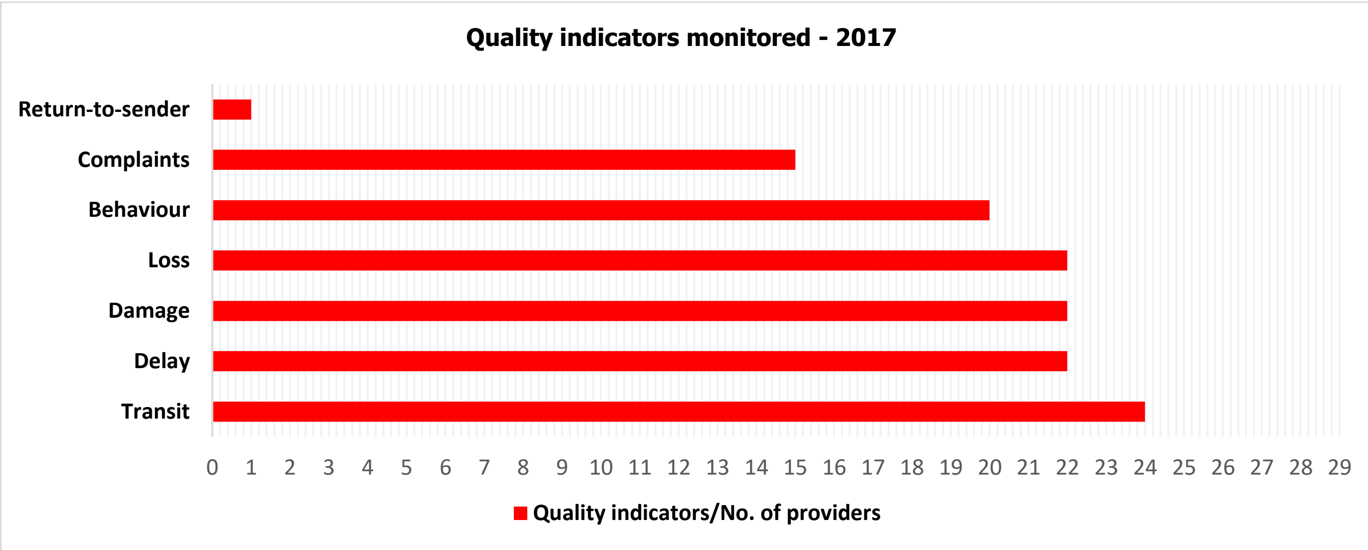


III.4. Monitored indicators regarding service quality

The answers received revealed that most of the providers considered the following quantity and quality indicators in their 2017 quality measurements:

- transit terms: 24 providers;
- delays in the distribution process (in the assumed transit terms): 22;
- damage on the postal items: 22;
- delivery failure or loss of the postal items: 22;
- staff behaviour: 20;
- number of complaints regarding the lack of technical facilities: 15; and,
- other indicators: 1 (i.e., rate of return-to-sender).

Quality indicators monitored in 2017



III.5. Guaranteeing delivery terms – domestic parcels

Insofar as *guaranteeing delivery terms* is concerned, a majority of postal service providers in Romania undertake to deliver domestic parcels in Z[4]+1 (17 providers, 59% of the sampling pool). 12 providers (41.3% of the sampling pool) guarantee a Z+2 delivery term, while 6 providers (21% of the sampling pool) guarantee delivery in Z+3, and 2 providers (7% of the sampling pool) guarantee delivery in Z+5.

The following mentions regarding the indicator on guaranteeing delivery terms of domestic items are noteworthy:

- one of the respondents informed the Authority that they only provide postal services handling cross-border postal items;
- 11 respondents guarantee delivery terms of Z + 1 or Z + 2 (cascading delivery) i.e. they ensure delivery in 3 business days only for postal items that they could not deliver in one or two working days.

III.6. Quality of parcel services

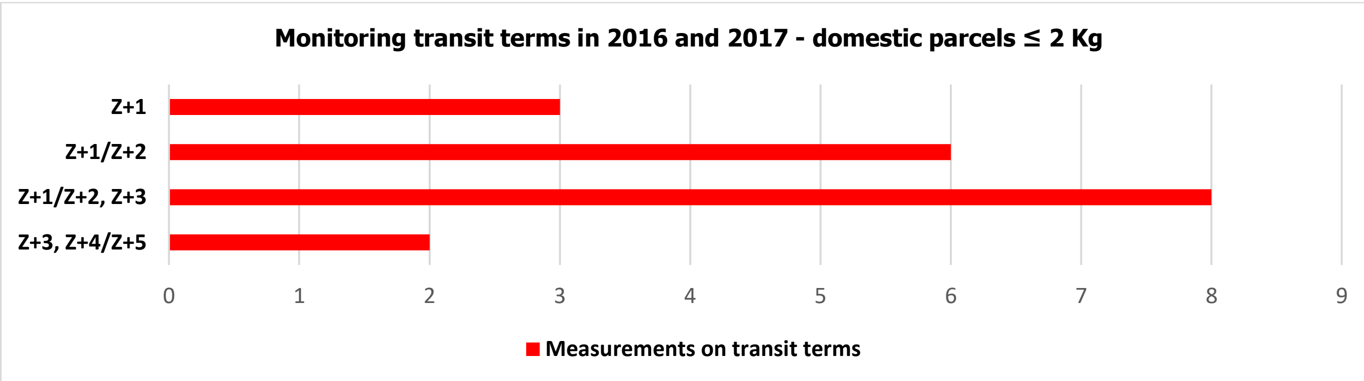
III.6.1. Domestic parcels ≤ 2 Kg

During 2016 and 2017, 19 providers (65%) of the sampling pool performed quality measurements on the transit terms of domestic parcels ≤ 2 kg.

[4] Z = date of clearance of the postal item

Among these, 2 providers performed quality measurements on transit terms of Z+5, respectively Z+3 and Z+4. 8 of the respondents performed quality measurements on transit terms of Z+1, Z+2 and Z+3; 6 providers performed quality measurements on transit terms of Z+1 and Z+2; and 3 providers performed quality measurements only on the transit term of Z+1.

Monitoring transit terms in 2016 and 2017 – domestic parcels ≤ 2 Kg



The results of the measurements reveal that at least 60% of the postal items processed in 2016 and 61% of the postal items processed in 2017 were delivered in Z+1.

In 2016, 9 providers of those that performed quality measurements delivered over 90% of the domestic parcels weighing ≤ 2 kg in Z + 1, while in 2017, 10 providers performed such quality measurements.

Moreover, the analysis of the results of the quality measurements carried out by the 19 respondents revealed that the quality of services provided by 10 of them (52% of the sampling pool) increased during 2017, while 8 providers (42% of the sampling pool) achieved the same results concerning service quality as in 2016.

A downward trend in the quality measurement results regarding the transit terms for postal items ≤ 2 kg was registered in the case of one provider.

In this case, the percentage of parcels delivered in Z+1 decreased from 86% in 2016 to 85% in 2017. Moreover, in the case of the same respondent, the percentage of postal items delivered in Z+2, increased from 14% in 2016 to 15% in 2017.

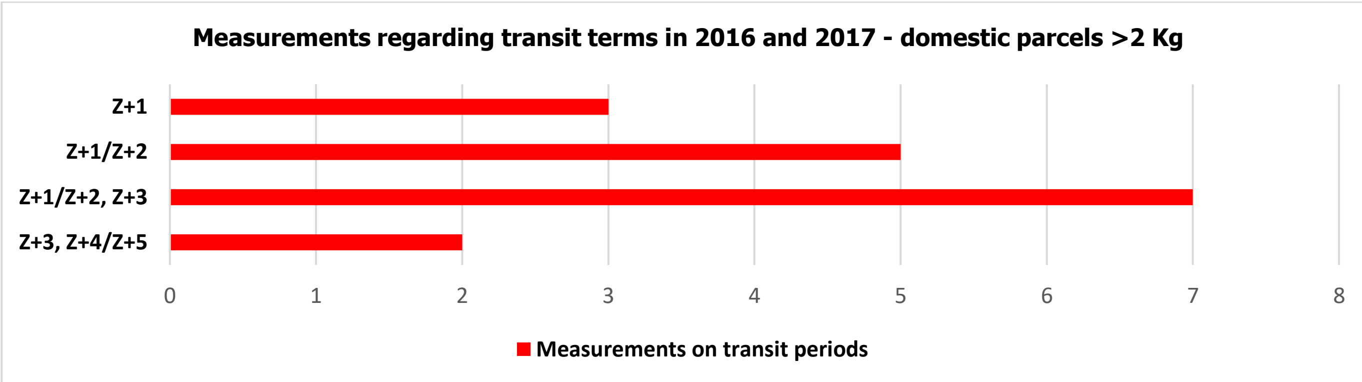
III.6.2. Domestic parcels > 2 Kg

During 2016 and 2017, only 17 suppliers (58% of the sampling pool) performed quality measurements with respect to the transit terms of domestic parcels weighing >2 kg.

2 of these are the same providers that carried out quality measurements on postal items weighing less than 2 kg with transit periods of Z+5, Z+3 and Z+4.

7 of the respondents performed quality measurements for domestic parcels weighing >2 kg with transit periods of Z+1, Z+2 and Z+3; 5 for Z+1 and Z+2; and 3 of them carried out quality measurements only for Z+1.

Monitoring transit terms in 2016 and 2017 – domestic parcels >2 Kg



The results of the measurements reveal that at least 70% of the postal items processed in 2016 and 71% of those processed in 2017 were delivered in Z+1.

Moreover, it should be noted that in the year 2016, 11 providers that performed quality measurements delivered more than 90% of the domestic parcels weighing >2 kg in Z+1, while in 2017 the number of such providers reached 13.

Furthermore, the analysis of the results of the quality measurements carried out by the 17 respondents mentioned above revealed that 8 of them (47% of the sampling pool) registered quality improvements in 2017, compared to the previous year; while 7 of them (41% of the sampling pool) obtained the same results on quality performance as in 2016. Only one provider registered a downward trend in the results of the quality measurements on the transit terms for postal items consisting of parcels >2 kg. In this case, the percentage of postal items delivered in Z+1 decreased from 96% in 2016 to 95% in 2017. Moreover, in the case of the same respondent, the percentage of postal items delivered in Z+2 increased from 2% in 2016 to 3% in 2017.

III.6.3. Express parcels

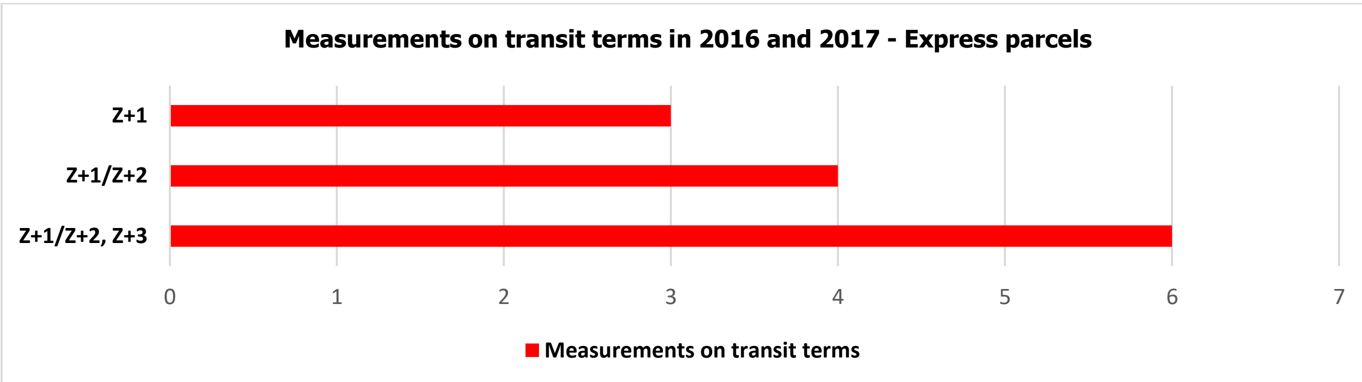
According to the provisions in section 3.14.7. of Annex no. 1 – General Authorisation Regime, of ANCOM President's Decision no. 313/2017 on the general authorisation regime for the provision of postal services, the providers of Express services have the obligation to deliver the respective items within 12 hours in the same locality, in 24 hours between county capitals and county-wide, respectively in 36 hours between any two localities on the territory of Romania.

Considering the specific obligation of the Express service providers to ensure delivery to the addressee of an Express parcel within Z+1 in the same locality, and between county capitals and county-wide (based on the submission time on the previous day) and within Z+2 between any two other localities on the territory of Romania, quality measurements on the transit periods of Express items should be deemed one of the managerial priorities of the postal service providers in this category.

However, the answers received from the providers of Express services during 2016 and 2017 revealed that only 13 of them (44% of the sampling pool) carried out quality measurements on the transit terms ensured in the processing of the respective parcels.

Thus, 6 of the respondents performed quality measurements for Z+1, Z+2 and Z+3; 4 providers performed measurements for Z+1 and Z+2; and 3 of them carried out measurements only for Z+1.

Monitoring transit terms in 2016 and 2017 - Express parcels



Measurement results reveal that 71% of the items processed in 2016, respectively 70% of the items processed in 2017, were delivered in Z+1. Moreover, it is noteworthy that 10 providers among those that performed quality measurements delivered more than 90% of the Express parcels within Z+1, both in 2016, and in 2017.

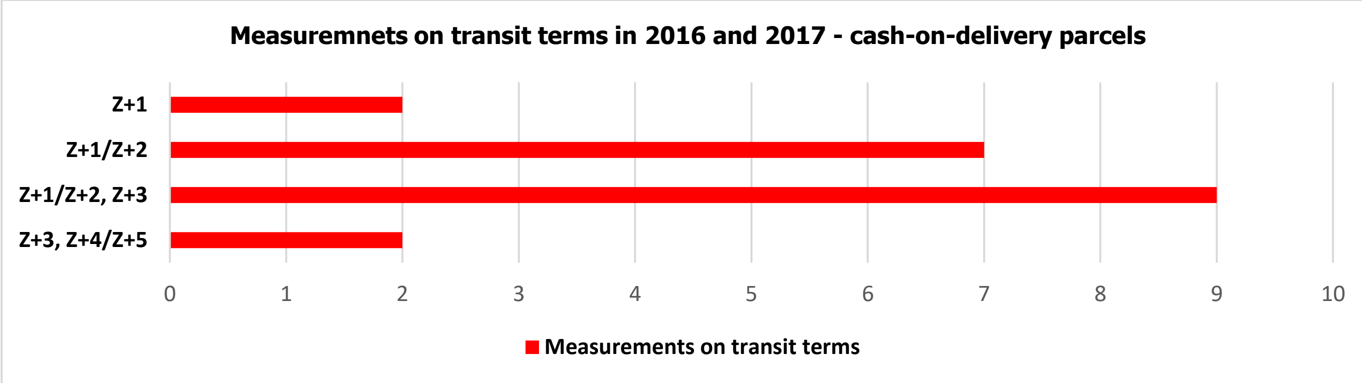
Furthermore, the analysis of the results of the quality measurements carried out by the 13 respondents revealed that 4 of them achieved quality improvements in 2017, compared to the previous year; whereas 9 of them kept the same level of quality performance as in 2016. It is encouraging that 3 of the suppliers that conducted quality measurements on the delivery of Express parcels reported to have delivered 100% of the parcels within Z+1.

III.6.4. Cash-on-delivery parcels

During 2016 and 2017, 20 providers (68% of the sampling pool) performed quality measurements on the transit terms of cash-on-delivery parcels.

9 of the respondents performed quality measurements on the delivery terms of Z+1, Z+2 and Z+3; 7 providers performed measurements on Z+1 and Z+2; and 2 of them carried out measurements only on Z+1. One of the providers conducted quality measurements on the delivery of the respective postal items in Z+5, and one of the respondents on Z+3 and Z+4.

Monitoring transit terms in 2016 and 2017 – cash-on-delivery parcels



Measurement results show that 61% of the items processed in 2016, respectively 65% of the items processed in 2017 were delivered in Z+1.

Consolidated measurement results indicate that 11 providers of those that performed quality measurements on cash-on-delivery parcels delivered more than 90% of these in Z+1 both in 2016 and in 2017.

Moreover, the analysis of the results of the quality measurements carried out by the 20 respondents revealed that 8 of them registered quality improvements in 2017 compared to the previous year; whereas 9 providers kept the quality level of 2016.

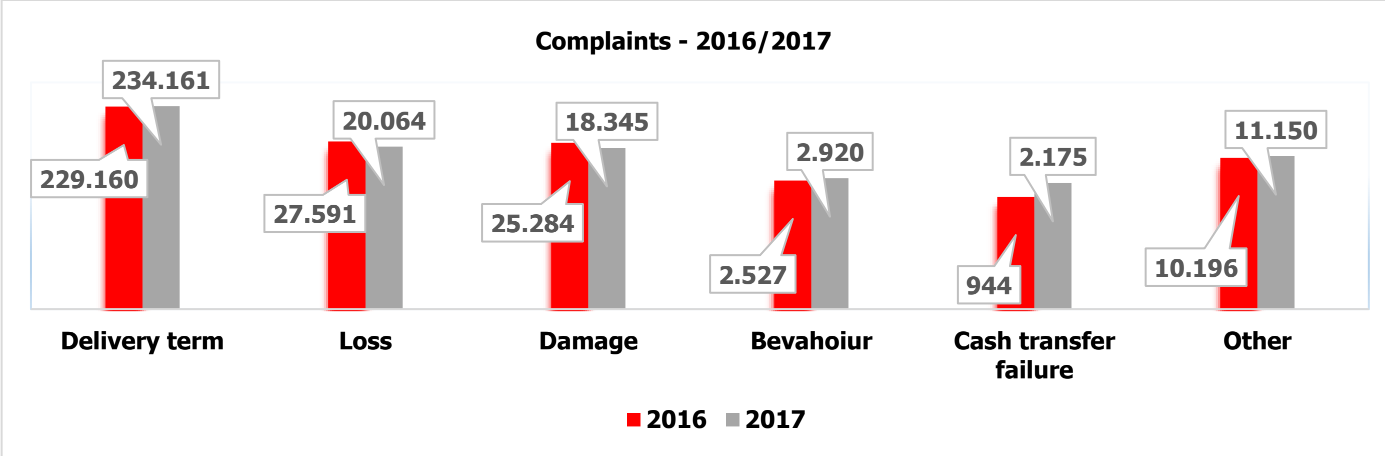
A downward trend in the results of the quality measurements on the transit terms of postal items consisting of cash-on-delivery parcels is registered in the case of only 3 suppliers.

III.7. Number of complaints on the processing of postal parcels in 2016 and 2017

The respondent's answers on the number of complaints regarding the processing of postal parcels in 2016 and 2017 revealed that all the providers in the sampling pool monitored these complaints by the issues raised therein, i.e.: failure to observe delivery terms, loss of the postal items, staff behaviour, failure to transfer the cash received from the addressee upon delivery to the sender etc.

Thus, in 2016, the selected providers received a total of 295,702 complaints, while in 2017, they received 288,815 complaints, i.e. 6,887 (2.3%) less. An itemised graph on these complaints - by the issues raised therein - is available below:

Complaints on processing postal parcels in 2016 and 2017



III.8. Investment for improving the quality of parcel services

Analysing the information received from the providers in the sampling pool regarding their investments aimed at improving service quality in 2016 and 2017 revealed in the following relevant conclusions, grouped by investment category:

III.8.1. Technology investment:

The answers received from the providers have revealed that most of them invest periodically in enlarging their fleets of vehicles dedicated to the distribution of postal parcels. Thus, in 2016, 20 providers (69% of the sampling pool) invested in the development of their postal vehicle fleets, and 22 providers (76% of the sampling pool) in 2017. The same 4 suppliers invested in the purchase of air transport services, in order to increase efficiency by high speed transport of the postal parcels (thus reducing transit periods), in 2016 and 2017.

9 respondents (31% of the sampling pool) invested in the acquisition of intelligent facilities and in the implementation of self-service distribution services in 2016, and 10 providers (34% of the sampling pool) made such investments in 2017.

Almost half of the postal service providers considered have communicated to the Authority that in the recent years they have prioritized the implementation of automated, fast sorting solutions. Thus, 12 respondents (41% of the sampling pool) invested in optimizing the speeds of sorting processes by purchasing intelligent facilities that enable the rapid sorting of large volumes of postal items, in 2016, and 14 providers (48 % of the pool) in 2017. In most cases, fast sorting lines have been designed on a customised basis, taking into account the dynamics of the traffic volumes of those providers.

In 2016, 17 providers (59%) invested in the implementation of Track & Trace information systems. In 2017, their number increased to 20 (69%). ANCOM's interviews with the respondents revealed that this positive dynamics was generated by the users' increasingly complex requirements and demands.

Diversifying the transport means in densely populated urban areas and/or in remote rural areas by purchasing bicycles, scooters, motorcycles, ATVs, etc. was a priority for only 5 providers in 2016, the same 5 providers reporting this priority also in 2017.

More than half of the surveyed providers invested in technical facilities on their workstations with public access in 2016 (16 respondents, i.e. 55%), and 18 providers (62%) in 2017.

III.8.2. Investment in staff:

Over the past 2 years, hiring additional staff was a priority for the vast majority of respondents. Thus, in 2016, 20 providers (69% of the sampling pool) invested in attracting human resources, and 21 (72% of the pool) in 2017.

Moreover, ANCOM data indicate that training and upskilling their staff was a priority for most of the surveyed providers:

- 20 providers (69%) invested in training new staff, in 2016, and 23 (79%) in 2017;
- only 14 providers (48%) invested in the upskilling of employees in 2016 and 2017.

III.8.3. Investment in developing the postal network:

In 2016, only 11 providers (38%) invested in opening additional workstations, the same number remaining valid for 2017.

14 providers (48%) in 2016 and 16 providers (55%) in 2017 invested in increasing the geographical coverage of their networks, including by contracting clearance, sorting, transport and delivery services provided by local postal service providers. This indicator was correlated with investments aimed at optimizing the organization of transport routes (18 suppliers. i.e. 62% in 2016 and 21 suppliers, i.e. 72% in 2017).

III.9. Service quality growth drivers

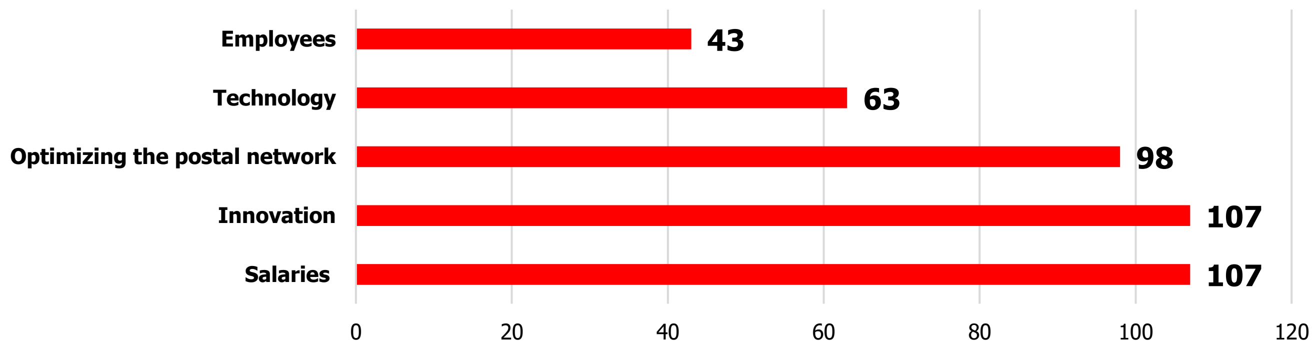
In the questionnaire on the quality of parcel services, the providers were offered a list of factors that would drive to enhancing the quality of services, and they were required to rank the respective factors from "1 - most important" to "5 - the least important". The factors mentioned above are: "employees", "technology", "innovation", "salaries" and "postal network optimization". Thus, ANCOM aimed at drawing up a synopsis of the management policies implemented in the development of the responding companies.

Having analysed the providers' answers, ANCOM reached the following conclusions:

- the vast majority of the providers consider "employees" (training, behaviour, skills, etc.) as the main factor for increasing service quality (as shown in the figure below, the factor "employees" totalled the lowest score - 38 points);
- the highest score in the synoptic picture was registered by the factor "salaries";
- the second highest score was recorded in the case of "technology", most respondents considering that this is the second most important catalyst for increasing service quality, after "employees";
- naturally, the providers' answers showed that, on the postal market in Romania, unlike in the case of the mature postal industries in the developed Member States, "postal network optimization" is considered as a more important quality improvement factor than "innovation".

Factors that contribute to increasing service quality

Scores - Service quality growth drivers



	Salaries	Innovation	Optimizing the postal network	Technology	Employees
Score (the lowest score = the most frequent)	107	107	98	63	43

IV. Impact of e-commerce on the postal services market in Romania, in 2017

IV.1. Dynamics of traffic volume

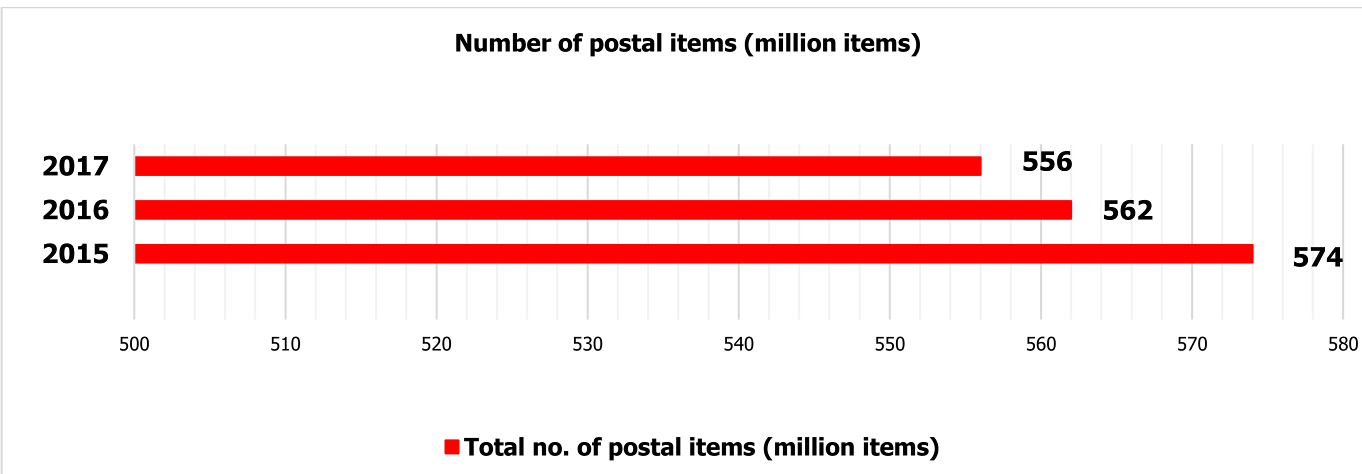
IV.1.1. Dynamics of the total postal traffic

With a view to carrying out the analysis of the quality of parcel services and to substantiating the study on the impact of e-commerce on the postal services market in Romania, the Authority used the most recent data on the postal industry evolution, resulting from the annual statistical data reported by the providers of postal services[5].

Regarding the total traffic of postal items, the Romanian postal industry has been on a downward trend ever since 2015.

The most consistent decline occurred in 2015, when the total volume of items dropped by 8% (from 623 million to 574 million), this negative dynamics being closely correlated with the decline in the volumes of letter post items. Subsequently, given the growing parcel traffic, the downward trend of the total parcel traffic was less pronounced: by 2% in 2016 (from 574 million to 562 million) and by only 1% in 2017 (from 562 million to 556 million).

Dynamics of the total postal traffic: 2014-2015



IV.1.2. Dynamics of parcel traffic

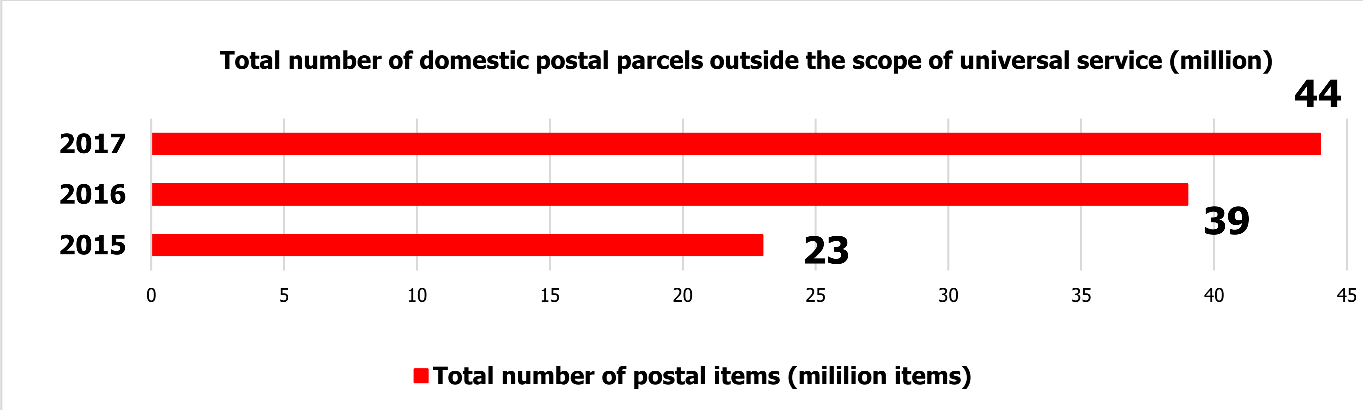
Domestic traffic of parcels outside the scope of universal service

During 2015-2017, the domestic traffic of parcels outside the scope of universal service was on a permanent rise.

In 2016, this category of postal traffic increased by 70% (from 23 million to 39 million), and in 2017 it increased by approximately 13% (from 39 million parcels to 44 million).

Dynamics of the domestic traffic of parcels outside the scope of universal service: 2016-2017

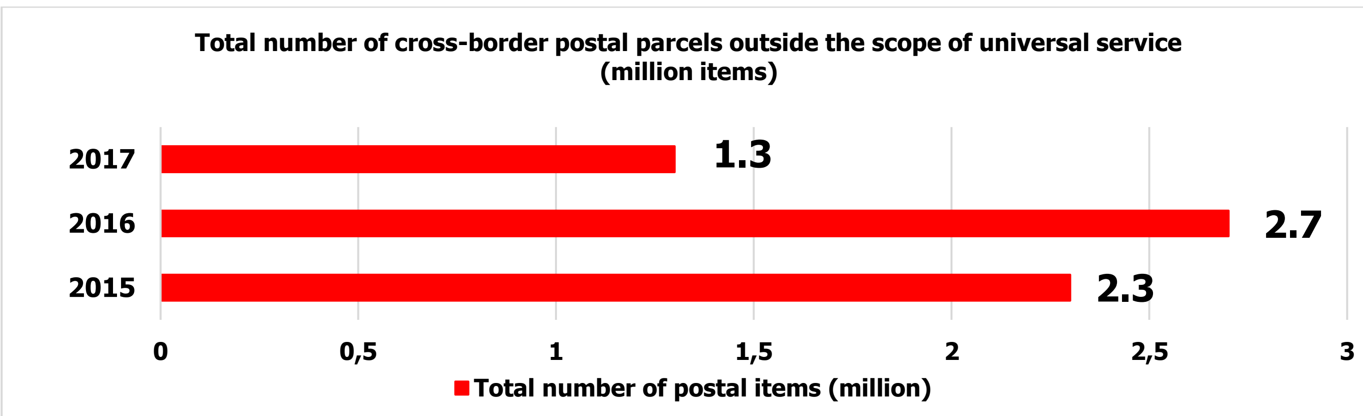
[5] https://statistica.ancom.org.ro:8000/sscpds/public/files/154_ro – The Romanian postal services market in 2017, page 19, section 4.3.3. – Traffic of postal parcels.



Cross-border traffic of parcels outside the scope of universal service

During 2015-2017, the cross-border traffic of parcels outside the scope of universal service dropped from 2.3 million items to 1.3 million items.

Dynamics of the cross-border traffic of parcels outside the scope of universal service: 2015-2017



The data above reveal that cross-border traffic of parcels outside the scope of universal service is diminishing every year, unlike domestic traffic of parcels in the same category, one of the possible explanations therefor being that the traffic generated by e-commerce provides especially for the domestic postal traffic.

IV.2. Dynamics of the e-commerce industry in Romania

According to the data published by E-commerce Europe[6], in 2015, the total turnover generated by e-commerce in Eastern European countries was EUR 455 billion, in 2014 this turnover being anticipated to increase by more than 12% in 2016 (by more than 500 EUR billion).

Moreover, the analysis conducted by E-commerce Europe on a continental level for 2015 reveals that Western Europe produced more than half of the aforementioned turnover, while the Eastern Region produced less than 25 billion Euros.

As far as Romania is concerned, it ranked second in Eastern Europe in 2015, with a total turnover generated by e-commerce of around EUR 1.4 billion.

For the year 2016, the data presented by E-commerce Europe shows an increase in the Romanian e-commerce industry compared to the previous year, the turnover generated by e-commerce being approximately EUR 1.8 billion, this amount being confirmed by the analyses conducted by GPeC Romania[7].

During 2017, according to GPeC data[8], Romania became one of the greatest e-commerce industries in South-Eastern Europe, totalling EUR 2.8 billion, with an estimated turnover generated by e-commerce of EUR 3.92 billion, at end-2018.

According to data released by GPeC, in 2017, as well as in the previous year, the most important categories of products purchased online consisted of electronic devices, fashion accessories and beauty products, interior design items and toys. It is noteworthy that one of the most important growth drivers in the industry was the value brought about by the *Black Friday* phenomenon, which reached 200 million euros, up from 2016 (when it amounted to EUR 130 million) and from 2015 (only EUR 100 million).

In view of the above, and given that the growing dynamics of the e-commerce industry has a strong influence on the field of postal services, the Authority has developed this survey also as a tool for monitoring the postal market and the challenges it faces.

In this survey, the Authority sought to identify the dynamics of the main quality and quantity indicators it has selected in this respect:

- traffic generated by e-commerce;
- income earned by postal service providers as a result of the distribution of postal items generated by e-commerce;
- types of postal items generated by the e-commerce industry;
- the number of complaints received by postal service providers regarding the processing of items originating from online trade;
- types of postal services accessed by on-line shops and on-line trading platforms;

[6] E-commerce Europe – an association representing 75,000+ companies selling goods and/or services online to consumers in Europe, and conducting market studies and analyses. Data regarding the Romanian market are available here: https://www.ecommerce-europe.eu/research/infographics/.

[7] e-Commerce Awards Gala: https://www.gpec.ro/blog/en/romanian-e-commerce-market-size-at-the-end-of-2016-1-8-billion-eur-infographic.

[8] https://www.gpec.ro/blog/raportul-pietei-de-e-commerce-2017-romanii-au-cumparat-online-de-28-miliarde-de-euro.

- providing Track&Trace service for the distribution of e-commerce items.

Thus, the analysis of the responses received from the postal service providers selected in the sampling pool regarding the impact of e-commerce on the postal industry, revealed the following conclusions:

IV.3. Postal traffic and revenues from e-commerce

IV.3.1. Traffic

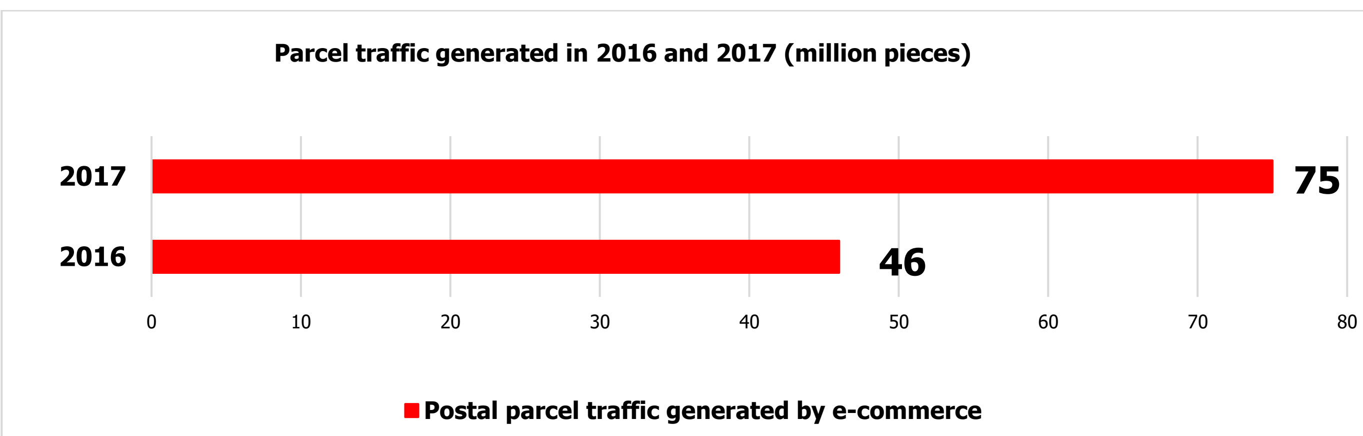
The analysis of the data reported by providers regarding the number of postal items generated by e-commerce showed that only 4 providers implemented accurate monitoring systems for this category of items (two other providers have communicated to ANCOM that their total traffic is entirely generated by the e-commerce industry).

During 2016, the total postal traffic volume of the providers in the sampling pool amounted to 439,319,120 postal items, of which over 10% i.e. almost 46 million items were generated by the e-commerce industry.

During 2017, there were relevant increases in both the total postal traffic volume of the providers in the sampling pool, this volume amounting to 468,230,419 postal items, of which 16% i.e. over 75 million references were generated by e-commerce.

As a trend at the sector level, it is noteworthy that both the total postal traffic and the total traffic generated by e-commerce grew in 2017, with the share of these postal items increasing in the total volume, from 10% to 16 % y.o.y.

Dynamics of parcel traffic generated by e-commerce: 2016-2017

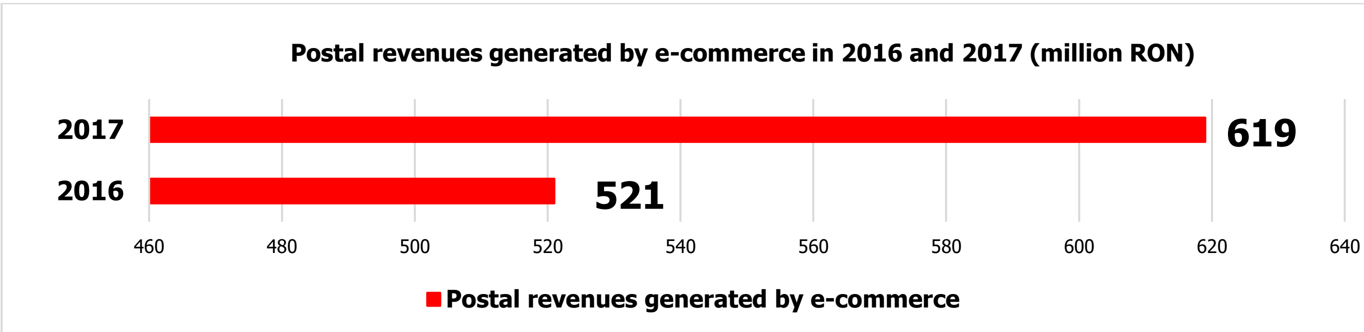


IV.3.2. Revenues

The analysis of the data communicated by the providers on their e-commerce revenues revealed that, in 2017, only 6 suppliers could clearly identify these revenues (the postal revenues of 2 providers being 100% generated by e-commerce).

In 2016, the total postal revenue of the 29 providers in the sampling pool was RON 2,439,611,561, out of which RON 521,571,770[9] (over 21%) were postal revenues generated by e-commerce. In 2017, the total postal income of the 29 suppliers increased to RON 2,691,022,762, of which RON 619,640,279[10] (23%) were revenues generated by e-commerce.

Dynamics of postal revenues generated by e-commerce: 2016-2017



IV.4. Types of postal items generated by e-commerce

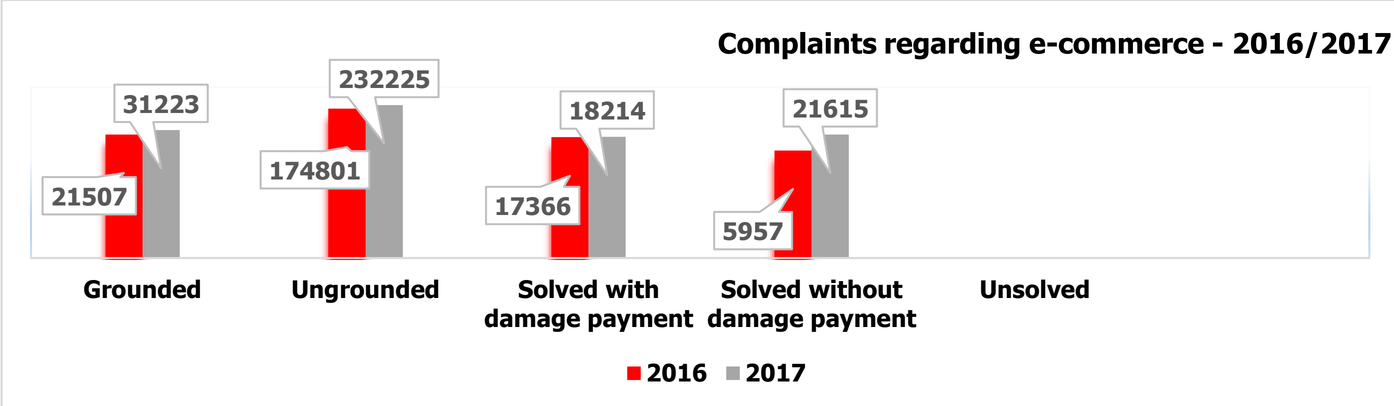
The respondents' answers regarding the types of postal items generated by e-commerce revealed that most of the providers processed mainly domestic postal items (21 suppliers in 2016, and 23 suppliers in 2017). As far as the weight of the aforementioned items is concerned, 20 suppliers mentioned that they handled postal items ≤ 2Kg in 2016, and 19 suppliers mentioned that they had processed > 2Kg. 22 providers communicated to ANCOM that, in 2017, they had processed postal items both ≤ 2Kg and > 2Kg. Regarding the situation of cross-border postal items generated by e-commerce, the responses received by the Authority reveal that, in 2016, 10 providers processed inbound cross-border items (imports) and 9 processed outbound cross-border items (exports), while in 2017 11 providers processed both inbound and outbound items.

IV.5. Number of complaints on the processing of postal items generated by e-commerce in 2016 and 2017

The number of complaints received by the providers in 2016 and 2017 following the processing of postal items generated by e-commerce was monitored by categories: *grounded*, *ungrounded*, *settled with damage payments*, *settled without damage payments*, respectively *unsettled*.

Complaints on processing postal parcels generated by the e-commerce industry in 2016 and 2017

[9] EUR 115,904,837 (exchange rate EUR 1 = RON 4.5)
[10] EUR 134,704,408 (exchange rate EUR 1 = RON 4.6)



The analysis of the data regarding complaints reveals that all the categories of complaints witnessed growth in 2017, the most considerable increased being registered in the category of ungrounded complaints.

IV.6. Postal services generated by e-commerce in 2016 and 2017

The questionnaire on the impact of e-commerce on the postal services market made available a list of services to the providers in the sampling pool. They had to order these services from "1 – most frequently" to "6 - least frequently". The postal services proposed by ANCOM were "Registered items", "Cash on delivery", "Express service", "Special delivery", "Advice of delivery" and "Change of destination".

Thus, ANCOM aimed at obtaining a synoptic chart regarding the postal services directly generated by the e-commerce industry.

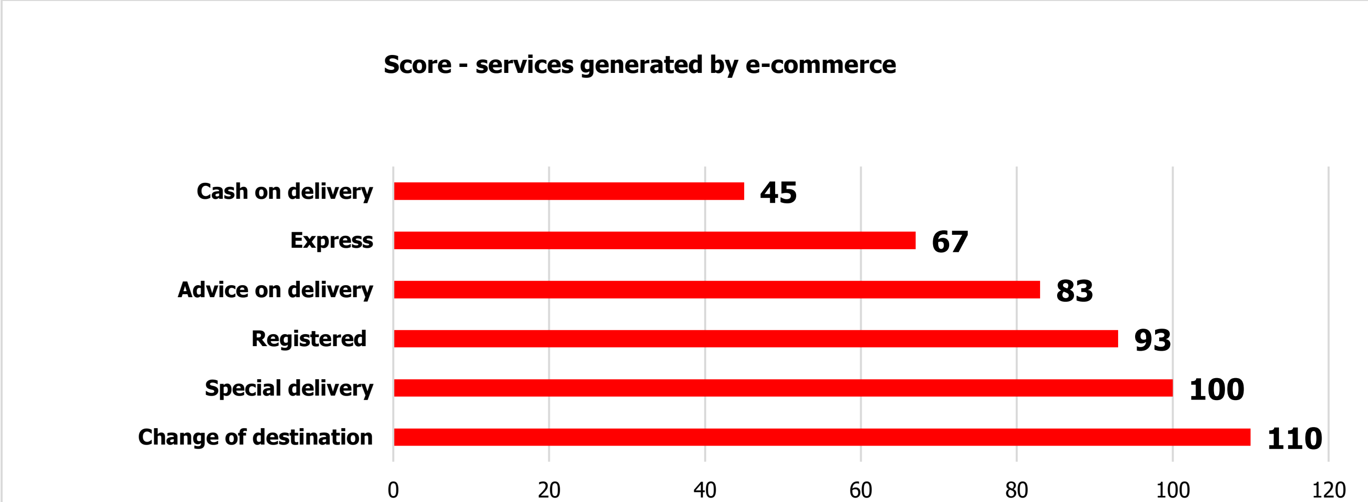
Having analysed the answers received from the providers, the Authority reached the following conclusions:

- most of the providers communicated to the Authority that the most frequent services they provided in the case of postal items resulting from e-commerce were the "Cash on delivery" (45 pts.) and the "Express" service (67 pts.), both in 2016 and in 2017;

- the most common postal service performed for e-commerce items is the "Advice on delivery" service (83 pts.);

- the „Registered" service received 93 points in the general synoptic chart, while the services "Special delivery" and "Change of destination" were indicated as uncommon in the processing of the postal items concerned (receiving 100 pts., respectively 110 pts.);

Postal services generated by e-commerce in 2017



	Change of destination	Special delivery	Registered	Advice on delivery	Express	Cash on delivery
Score (the lowest = the most frequent)	110	100	93	83	67	45

IV.7. Track & Trace

Considering the fact that in 2016 and 2017, most providers invested in the implementation of Track & Trace[11] service information systems, which is a result of the postal services users' increasingly complex attitudes and demands, the Authority's survey on the impact of e-commerce on postal services was aimed at identifying the number of providers in the sampling pool that actually provided this type of service during 2016 and 2017 respectively.

The analysis of the answers received from respondents reveals that 25 providers made available the Track & Trace service for e-commerce items in 2016 and 26 (about 90%) of them in 2017.

IV.8. Types of senders introducing e-commerce items in the postal network

The vast majority of respondents indicated that - in their case - the main e-commerce postal item generators are on-line shops[12], while very few of them pointed out as main generators of such items the residential senders and addressees who sell and buy goods using on-line platforms such as Okazii, OLX, etc.

[11] See section III.8.1. Investment in technology

[12] in 2017, on-line shops were the most frequrenct senders, for 21 providers in the sampling pool (72%).

V. Conclusions

V.1. Conclusions on the quality of parcel services in Romania, during 2017

- most of the postal service providers (over 90% of the research panel) conduct quality measurements on the parcel services they provide, this being not the result of any obligations imposed by the regulatory acts in the field;

- the amounts invested by the providers in quality monitoring are increasing year-on-year. Between 2015 and 2017, the total amount invested therein increased from about RON 4 million to more than RON 7 million;

- most of the providers carrying out quality measurements on parcel services monitor permanently, monthly, quarterly, half-yearly or annually the dynamics of several quantity and quality indicators. The most important quality indicators monitored are: transit terms and the dynamics of the number of complaints received from users;

- the investment made by the providers under this survey with a view to improving service quality are on a rising trend and are mainly focused on enlarging the vehicle fleet, with only 4 providers reaching organizational and financial capacity to develop and deploy air transport solutions for their postal items;

- Track & Trace service has been widely deployed and tends to become a common added value for parcel services in Romania;

- the sector growth along with the recent years' social phenomenon of emigration have also generated an acute shortage of manpower, therefore most postal service providers employ staff they train at the workplace and develop various training programs for upskilling employees with experience in the company. During interviews with ANCOM's Postal Service Regulations Unit, some providers stated that such training programs are also meant as a long-term employee retention solution (e.g. a company pays for the employee's training and obtaining multiple-category driving licences, while the employee undertakes not to leave the company for the next 2 years, other companies provide coaching to their employees, who are required to pay back the corresponding costs in case they decide to leave within a mutually agreed period etc.). For most providers, the most difficult period in terms of manpower shortage is the *Black Friday* period, when postal networks face the pressure of newly introduced large volumes of postal items that need to be processed in the generally guaranteed term and at the minimum quality level commonly assumed by the provider in relation to the users of its services;

- the highest score in the synoptic chart generated by ranking the factors that contribute to increasing service quality went to the "salaries" driver, which leads to the conclusion that most postal service providers in Romania aim at developing their business without considering the employees' salaries as a priority, even though the same providers often face a shortage of manpower in their own development processes, with many employees deciding to leave for other companies in the market. In the case of some providers this attitude is due to the fact that the postal service provider concerned has not yet reached the financial capacity to allow higher salaries for the staff, but in the case of large postal providers this situation is generated by a trend towards accelerating development through focusing investment on other priorities (e.g. the development of the postal network).

V.2. Conclusions on the impact of the e-commerce industry on the postal services market in Romania, in 2017

- very few respondents were able to communicate specific, accurate data to the Authority regarding the indicators in the questionnaire, but ANCOM's interviews with them showed that many of these have already begun to implement information systems to accurately monitor the dynamics of those indicators;

- the postal traffic generated by the online trade industry is on a growing trend, from 46 million parcels in 2016 to more than 75 million in 2017;

- moreover, revenue from e-commerce shows an upward trend, a direct consequence of increases in traffic volumes and of the fact that the thus generated postal services are value-added services. Thus, revenues earned by postal service providers in the sampling pool as a result of their connection with the e-commerce industry increased from RON 521 million to over 619 million in 2017;

- between 2016 and 2017, the share of revenues generated by e-commerce in the total revenues of the research panel providers increased from 21% to 23%, this increase being generated by the increase in traffic volume yet not synchronized with it. Thus, as noted above, the higher growth trend of revenues compared to the upward trend in traffic volume is due to the fact that postal services generated by the e-commerce industry have higher added value than other postal services.

- most of the surveyed providers perceive e-commerce as the main engine of business growth, and consider *Black Friday* to have a positive effect on traffic volumes. However, the vast majority of surveyed providers stated that the traffic volume during the respective period cannot be efficiently handled in their own postal networks, the processing of the postal items being greatly slowed down due to lack of manpower and to the shortage of logistic facilities;

- e-commerce influences the postal market in Romania, especially in respect of services outside the scope of universal service, most of the end users requesting postal services generated by this industry in categories such as Cash-on-delivery and Express.