

The India Post Channel

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As markets become more and more competitive, the importance of channels that reach out to customers grows exponentially. There are two aspects that any manager of a channel needs to ensure – *manage its identity* and *protect its credibility*.

Managing identity

amazon.com would be an apt case to review. It started off as an internet-based seller of books, competing with the likes of Barnes and Nobles. Somewhere down the line, the need for revenues led to a change in strategy. It was willing to offer anything that could go through its channel. amazon.com may have started making money, but the moot point is does it retain its Unique Selling Proposition? Has it managed its identity well?

In India, for a long time post offices were perhaps the only organized channel reaching out to many of the far flung areas of the country. It was logical for the government to use this channel not only to meet the postal needs, but also to tap the savings of the populace.

The ground realities have changed in a number of ways –

1. Nationalized banks and regional rural banks have a reasonable reach into most parts of the country.
2. The government-run postal services are getting a run for their money from private courier services that are taking away the cream.
3. The structure of communication itself is changing from physical to electronic mail.

“India Post”, the new marketing image of our traditional post offices, has to position itself in the light of these ground realities. Perhaps it could position itself as a provider of communications services. A person wanting to send physical mail would use the counter (and going forward, touch-screens), a person wanting to send electronic mail would use the computer in the same premises. What that implies is that ‘P&T’ would not mean ‘Post and **Telegraph**’, but ‘Post and **Telecommunications**’.

In order to take on the tough competition in the market place for its core services, India Post needs to move out of services that are not within its realm of competency viz. savings and investments, which is a financial market oriented activity that requires a different specialization.

It all boils down to managing the channel identity.

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Protecting credibility

What exactly has India Post lately been up to? It is changing its image – which is a good sign. It has also started distributing mutual funds! Instead of diluting its role in the financial market, it is increasing its exposure. If the post offices had been selling units of Unit Scheme 1964, more investors would have been visiting the post offices today to complain about their investment than for servicing their postal needs.

Any channel can protect its credibility by *distributing what it understands and understanding what it distributes*. In particular, it has to keep out of land mines unless they are incidental to the core offering. Selling mutual funds is definitely not incidental to the core offering of India Post.

Financial products can be **asset oriented** or **liability oriented**. Mutual funds are asset oriented because they create an asset for the investor. Mortgages, credit cards etc are liability oriented, because they create a liability for the investor.

If at all India Post would like to test its mettle in financial products, it would be more logical for it to start with liability products (which it has started with a recent pact with Standard Chartered Finance). Distributing asset products come with the inherent risk of the investor losing money – something that India Post is not qualified to advise on. Once a channel loses credibility, it is extremely difficult to recover. India Post needs to be mindful of this.

It cannot be denied that India Post has a physical reach that it can leverage on. A format it can consider is what in retailing parlance is called "**shop in shop**". Financial products sellers desirous of using the reach of India Post can set up "shop" or any customer interface mechanism at the post office. India Post would be compensated through a fixed cost for use of real estate and a commission structure based on throughput handled by the interface. Thus, it can eat its cake and have it too - earn incremental revenues without putting its credibility at risk.

Do you think India Post should be distributing financial products? Cast your vote in the poll on www.advantage-india.com.