

OPTIMISING OPPORTUNITIES FOR
COURIER BUSINESS IN NIGERIA

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Economic Significance of the Courier Industry in Trade Development Requirements for Optimising the Opportunities in the Courier Industry A Historical Overview of the Courier Industry

The Evolution of Courier Business

In Ancient Times

Organised mail delivery dates back about 4000 years in ancient Egypt, Persia and China – mainly for royal and other official scrolls. Trusted relay messengers on foot and horseback delivered at designated “Post Houses” till final destination. The Romans radically improved delivery system to cater for general mails and achieve greater speed – covered up to 270km within a day.

Swift response to need for meeting urgent delivery requirements. “Express door-to-door delivery of time sensitive packages”.

E.g. commercial papers (bill of lading, negotiable instruments, bid for tender, etc),

Urgent spares (machine, oil installation, etc),

Samples (for international import and exports)

Emergency supplies (medications, laboratory reports and diagnosis)

In Modern Times

The Renaissance and the invention of the Printing Press boosted volume of mails and brought about greater need for faster and more reliable postal system. Corporations and Guilds (Workers' Unions) then set up their own postal services. By the 15th Century mail delivery had become big business, attracting private enterprise.

In late 17th Century France declared all postal services State Monopoly and established Post Offices, which gradually became standard policies in Europe and elsewhere and a big source of state finance.

Postage stamps were introduced in early 19th Century, and transformed mail delivery to a pre-paid service.

Courier business is presently a critical service sector of global economy, reaching to nearly every hamlet across the world. It is also one of the fastest growing sectors.

Inability of state run postal systems to cope with 20th Century jet-age demands of SPEED, SECURITY & EXPANDED DELIVERY led to emergence of modern private courier firms, operating side by side with state run postal system that has become an endangered specie.

Despite influx of new entrants in the last 15 years, the sector is still far from saturation point.

Market Size (vast potential due to vast territory, large population, growing economy and sub-optimal communication facilities. Annual revenue conservatively estimated at ₦12 billion)

Major Client Segments

- Government / Parastatals
- Financial Services
- Oil Companies
- Conglomerates

Major Industry Players

- Global Giants – DHL, FedEx/RSE, UPS, IAS/TNT Express dominate both international and domestic (major client) businesses.
- Emerging Local Players – IFEX, ABEX, Tranex, Tradeways, Courier Masters, etc. Negligible international operations due to lack of capacity. Gaining footholds in the domestic market with considerable national network.

As a major directive of Cargo aviation, the courier industry is a major facilitator of world trade through foreign direct investments both into and out of Nigeria.

Offers greater scope for economies of scale for businesses by providing increased specialization in areas of comparative advantage which allows for more efficiency.

Effective networking and collaboration over long distances.

Major employer of labour – not less than 20,000 jobs provided directly or indirectly by the industry.

Major backbone for growth sectors such as banking, manufacturing, pharmaceutical, tourism, etc.

IMPACT ON BUSINESS: Express industry has generally helped businesses to conduct their operations better and cheaper by:

Reducing inventories and carrying costs

Reducing cycle time, raising productivity

Pioneering bar code technology; scanning into the future

Outsourcing non-core functions (In-house courier department)

Levelling playing field for small and medium enterprises.

Specific Services to Selected Businesses

Banks (movement of negotiable instruments)

Management and control of multi-branch businesses (sales control, salaries and wages, etc).

Distribution of spare and high valued goods (IT, Telecommunications, Pharmaceuticals, Automobiles, etc).

Emergency supplies (life saving drugs, spares for ships/aircraft, x-ray and medical analysis results, drilling pipes, etc).

Quantifying The FedEx Business Impact

FedEx delivered 914 million packages within U.S and 43 million packages outside U.S in fiscal year 2000. Total value of this shipment is estimated over \$120 billion.

FedEx saved its customers over \$325 million in inventory carrying cost.

FedEx customers worldwide gained \$27.4 billion in logistics cost in fiscal year 2000.

(Source: SRI International)

In Nigeria major players (i.e. DHL, UPS, RSE) pay well over ₦1 billion as tax (Corporate, VAT and PAYE).

Linking the world business and people through globalisations.

Supporting the growth of the new economies and new economic regions.

The shift of market power towards consumers has been driven by more accessible information and convenience.

Express business delivers benefits for shippers and shoppers through:

Lower Customer Prices: We have helped to improve efficiency and productivity in real sectors. Much of these efficiencies are passed on to consumers.

More Shopping Options: Consumers can now order through catalogues and the Internet

Express delivery companies fulfil the orders.

More Product Choices: Express transportation created access to entirely new categories of consumer product such as raw meats, fresh cut flowers, etc.

Increased Customisation: A company's ability to tailor products to meet its customers' needs and desires improves its competitive position. Express business provides the means to fulfil this.

The express industry has exerted enormous influence on the efficiency of the overall transportation industry:

Breakthroughs such as:

Guaranteed services

Time-definite delivery

Over night delivery concepts.

Improved Efficiency: The use of hub-and-spoke networks has afforded airlines and cargo carriers substantial cost reductions. This has allowed them to expand their services in terms of geographic coverage and to increase frequency of service.

Centralized Logistics Networks: By integrating the pick up and delivery components with the line haul system and by mastering information systems needed to support booking, trace and billing for shipments, Express companies have made centralized logistics possible.

Enhanced Visibility: Real time shipment monitoring means inventory visibility, better inventory management and lower operating costs for businesses.

Customers all over the world are more discerning, therefore they require:

- Better
- Faster and
- Secured and competitive service

Markets all over the world are opening up with increasing rapidity. Express delivery companies would expand to provide linkages among the various markets.

Technological advancement all over the world is improving commerce and world trade. Express delivery companies make it possible.

The industry needs additional expertise/skills in:

- Customs expertise
- Regulatory and enforcement skills
- Enhanced security

To meet increasing trade opportunities.

Optimising The Opportunities: Challenges

- Inconsistent Government Policies – multiple taxation, regulatory authorities.
- Infrastructural deficiencies especially as prevalent in developing economies.
- Lack of well developed payment system
- Extensive prohibition of import items
- Activities of regulatory agencies – duplication of functions
- Poor import and export information on rights, obligations, privileges, concessions, etc.

Other Requisites

- Efficient state institutions that ensure a predictable legal/regulatory environment. This is a pre-requisite for attracting private investments.
- Instituting an independent regulatory framework similar to what is obtainable in other developing economies will allow for healthy competition.

- The EU Postal Directive requires that the Postal regulator to be legally separate from, and operationally independent of, the postal operators to allow for healthy, free and fair competition.

Conclusion

Drivers of Economic Growth

- Challenging more foreign direct investment (FDI) into the manufacturing sector to facilitate industrial diversification.
- Trade concessions are important to encourage more exports of non-mineral commodities and help infant industries to grow.
- Investment in good physical infrastructures to enhance domestic production capacity.

In summary, Nigeria must strive to become a viable participant in the global economy by improving the business climate it offers for foreign investment and trade especially as is obtainable in other fast developing economies.

Thank you.