

The Republic of the Union of Myanmar

Project for the Improvement of Postal
Operations and Diffusion of a
High-Grade Delivery Network
(Collaborative Program with the Private
Sector for the Dissemination of
Japanese Technology
for the Social and Economic
Development of Developing Nations)

Final Report

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Japan International Cooperation Agency (JICA)
JP Media Direct Co., Ltd.

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Abbreviations

Abbreviation	Name
CPO	Central Post Office
DBM	Database Marketing
DEMS	Domestic Express Mail Service
DM	Direct Mail
EC	E-Commerce
EMS	Express Mail Service
GPO	General Post Office
MCIT	Ministry of Communications and Information Technology
MPT	Myanmar Posts & Telecommunications
PCO	Public Call Offices
PO	Post Office
SEC	Social Economic Class
SIM	Subscriber Identity Module
SMS	Short Message Service
SNS	Social Networking Service

(Reference)
As of March 2015
1 kyat = 0.1 yen

1. Introduction

1-1. Current postal system in the Republic of the Union of Myanmar

Since Thein Sein came to power in March 2011 and began advancing democratization, development money has flown in from countries worldwide, including Japan, to the Republic of the Union of Myanmar (hereafter referred to as “Myanmar”). The country is attracting attention as the “last frontier in Asia.” The biggest constraint to Myanmar’s expansion of economic activity is low-grade infrastructure, whose modernization was delayed during the military regime.

One low-grade infrastructure is the postal service, which is operated by Myanmar Posts and Telecommunications (hereinafter referred to as “MPT”) under the Ministry of Communications and Information Technology. The history of the postal service in Myanmar dates back to the time the country was under British rule. Affected by corrupt public sector organizations since the introduction of Burmese socialism beginning with military coup in 1962, the reliance of MPT service to citizens and enterprises has continued to deteriorate. The low reliance of the postal operation is linked directly to low business turnout. The domestic postal volume handled by MPT in FY 2012 (April 2012 ~ March 2013) was approximately 15 million (total of domestic and international mail and parcels), and this volume is significantly lower than other ASEAN nations such as Thailand (1.9 billion in FY2011, surveyed by UPU) and Vietnam (approximately 1 billion in FY2011, surveyed by UPU). The financial status has been in the red every year since data was obtained in 2009, and chronic losses are compensated for by national taxes.

However, Myanmar is a geographically advantageous located at the intersection of Southeast Asia’s Economic Corridor, and its population of approximately 51 million is the third largest in the ASEAN region after Vietnam and Thailand. What is more, approximately 70% of its population falls in the productive age group (15-64 of age) exhibiting high potential for economic growth in the near future. With the diffusion of the Internet and mobile phones, postal demand is in the decline in many nations; yet it remains one method of correspondence for people and is the fundamental infrastructure for socio-economic activities, as a dependable, low-cost service available to all. Development of postal operations will enable a response to the heightened need for domestic and international small package distribution accompanying economic development. At the same time, active postal operations will revitalize local businesses with the “possibility for business development contributing to regional communities centering on the post office” and “heighten needs for development projects for roads, ports and airports accompanying increase distribution of small packages domestically and internationally.” This will contribute to Myanmar’s economy in no small way.

With the above circumstances in mind, Minister Myat Hein of the Ministry of Communications and Information Technology (MCIT) came to Japan in May 2013, held a conference with Minister Shindo of the Ministry of Internal Affairs and Communication (at the time) and agreed to set up working-level talks for cooperation in the area of postal services. In accordance with this agreement, Japan’s Ministry of Internal Affairs and Communication and Myanmar’s postal organizations held several working-level talks, which led to the conclusion of the “**Memorandum of Japan-Myanmar Cooperation in the Postal Field**” tied in April 2014.

1-2. Objective and content of the project

1-2-1. Importance of JICA projects

Technical training provided for the Ministry of Internal Affairs and Communication projects by Japan Post focuses on the improvement of on-site postal operations in major cities in Myanmar. Meanwhile, the MPT needs to begin reform to breakaway from its chronic operation in the red, and some reforms include the introduction of new services as new revenue sources and new businesses in post-related fields.

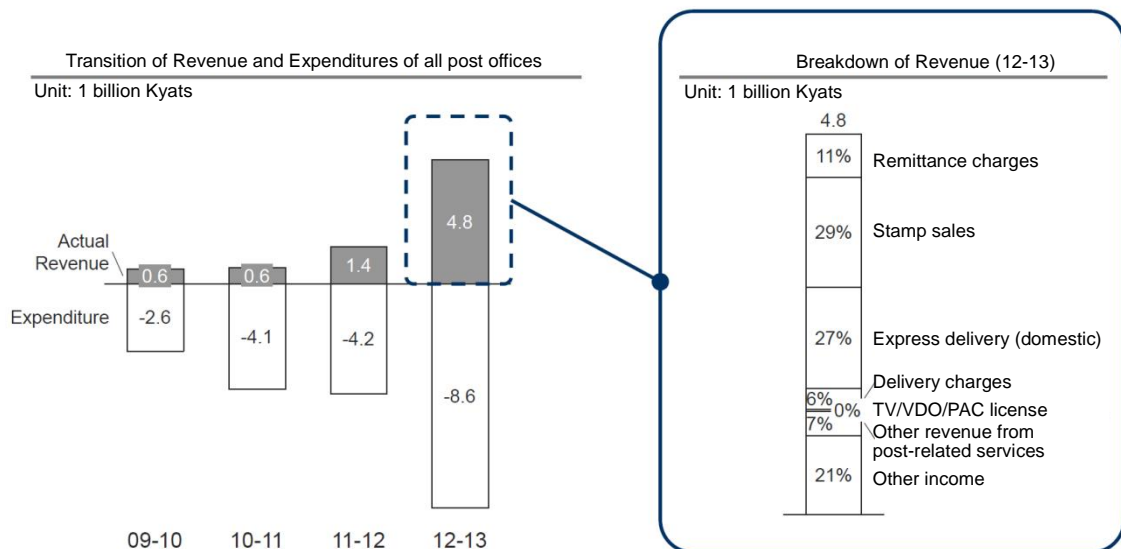
Being a subsidiary of Japan Post, we decided to conduct a social survey and provide technical support as a part of JICA's "Collaboration Program with Private Sector for Disseminating Japanese Technology for the Social and Economic Development of the Developing Nations" in order to seek directions for our support in the upgrading of the MPT delivery network; in other words, the structuring of a swift and stable delivery network that enables commitment of delivery date to users at the time of submission, as well as support that contributes to management rehabilitation.

An examination was made of the current revenue structure, a summary of which showed that stamp sales and express mail revenues accounting for 56% of the total, suggesting that postal delivery service is the main source of revenue.

On the other hand, personnel costs account for 64% of total expenditures, inferring that fixed costs are putting pressure on management.

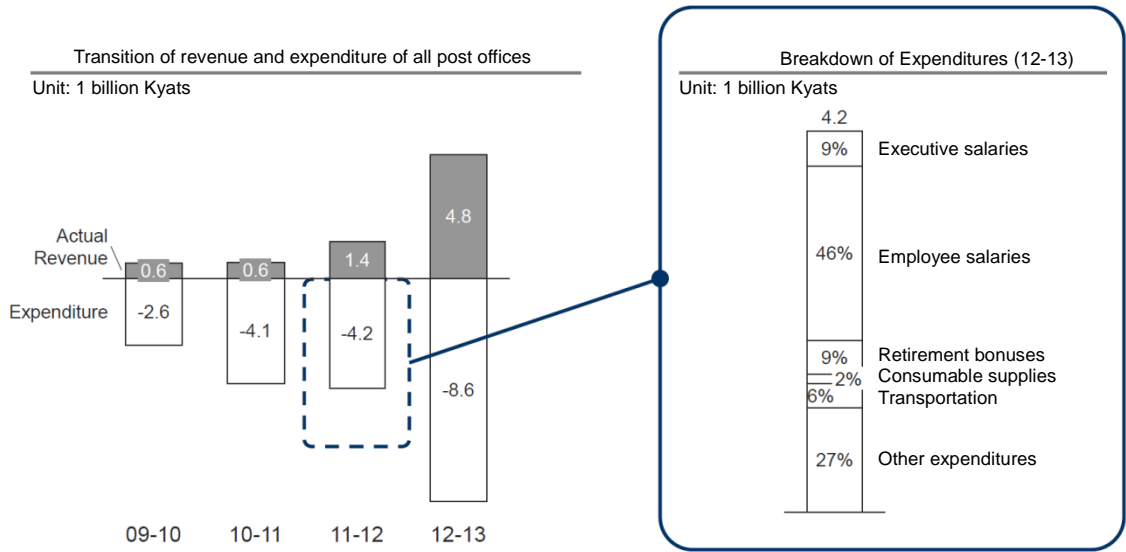
We recognized the need to suppress increasing expenditures as well as to implement measures that will increase revenue to improve management.

Fig. 1-1: MPT Earning Structure (Breakdown of revenue)



* MPT source

Fig. 1-2: MPT Earning Structure (Breakdown of expenditures)



* MPT Source

1-2-2. Objective, content and method employed for this project

For the achievement of the above-mentioned goals, Myanmar resident needs for postal service and the status of use were studied to identify issues that need to be addressed to improve services. Information on postal and business needs for the development of post-related businesses was collected. The objective extended to enlightenment activities and proposals (technical training) to the MPT.

The content of the survey and method employed for information collection are described below:

Fig. 1-3: Survey Content and Method

	Survey content	Survey method
1	Understanding resident needs and status of use as prerequisite for upgrading Myanmar postal operation and network	Survey of Myanmar citizens on their use of postal service, awareness and needs. Qualitative research on residents of Yangon and Mandalay (Focus Group Discussion), and qualitative survey on Yangon residents (home visit survey)
2	Understand business needs conducive to FS consideration for the establishment of postal-related businesses	Survey of local companies in Myanmar and Japanese companies with branches located in Myanmar on post-related services, particularly of the business needs for “advertising operations” into which Japan Post has placed significant efforts after privatization. Interviews with staff in charge of advertising and marketing

3	Understand delivery network in major cities that will be the first step for improved delivery efficiency	Examine the status of the domestic delivery network, and issues that may arise when upgrading the network, focusing on organizational and technical aspects (not fully understood through Ministry of Internal Affairs and Communications projects) Interview will be given to MPT executives and the information gained through Ministry of Internal Affairs and Communications will be partially used.
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Based on the results and knowledge gained from surveys 1 to 3, directions and methods of improvement will be offered and proposed (technical training) to MPT employees.

1-2-3. Parties in charge of the project

As listed below:

Fig. 1-4: Members

	In charge	Name	Affiliate
1	Technical training to General / MPT	Keiichi Shirato	Japan Post Co., Ltd.
		Hiroshi Tabata	Japan Post Co., Ltd.
		Akifumi Yamane	Japan Post Co., Ltd.
		Taku Kageshima	JP Media Direct Co., Ltd.
		Tomohiro Unno	JP Media Direct Co., Ltd.
2	Understand resident needs and status of use as prerequisite for upgrading Myanmar postal operation and network	Yoshihiko Hasegawa	DENTSU INC.
		Fumihito Yoshitsugu	DENTSU INC.
		Yang Chi Yen	DENTSU ASIA PTE. LTD.
			(Myanmar Survey Research used as local survey company)
3	Understand business needs for conducive to FS consideration for the establishment of postal-related businesses	Fusao Misaki	Nomura Research Institute, Ltd.
		Keisuke Mizunoura	Nomura Research Institute, Ltd.
		Chiharu Otsuka	Nomura Research Institute, Ltd.
4	Understand delivery network in major cities that will be the first step for improved delivery efficiency	Akifumi Yamane	Japan Post Co., Ltd.
		Taku Kageshima	JP Media Direct Co., Ltd.
		Tomohiro Unno	JP Media Direct Co., Ltd.

1-3. Meaning behind this project

In Myanmar, with its immature distribution service market, the only operator with a delivery network at this point is the MPT. Using this advantage, introducing Japan's accurate, conscientious and advanced postal service and network to enhance its network and directions in offering new services will enable the taking in of demands that are expected to increase with future economic development, as well as to contribute to the improvement of management.

On the other hand, realization of an enhanced distribution infrastructure through this project will add merit to companies that have advanced or are considering advancement into Myanmar in the future. These business advancements and activated economy will also lead to the energizing of our economy. Establishment of a sophisticated and reliable small package distribution service and network will also heighten potential of our country to export our goods to Myanmar and contribute in the increase of exports.

Consistent support for postal infrastructure projects at every stage enables Japan Post to make active use of its comprehensive know-how, as well as being consistent with Japanese government policy to export infrastructure systems.

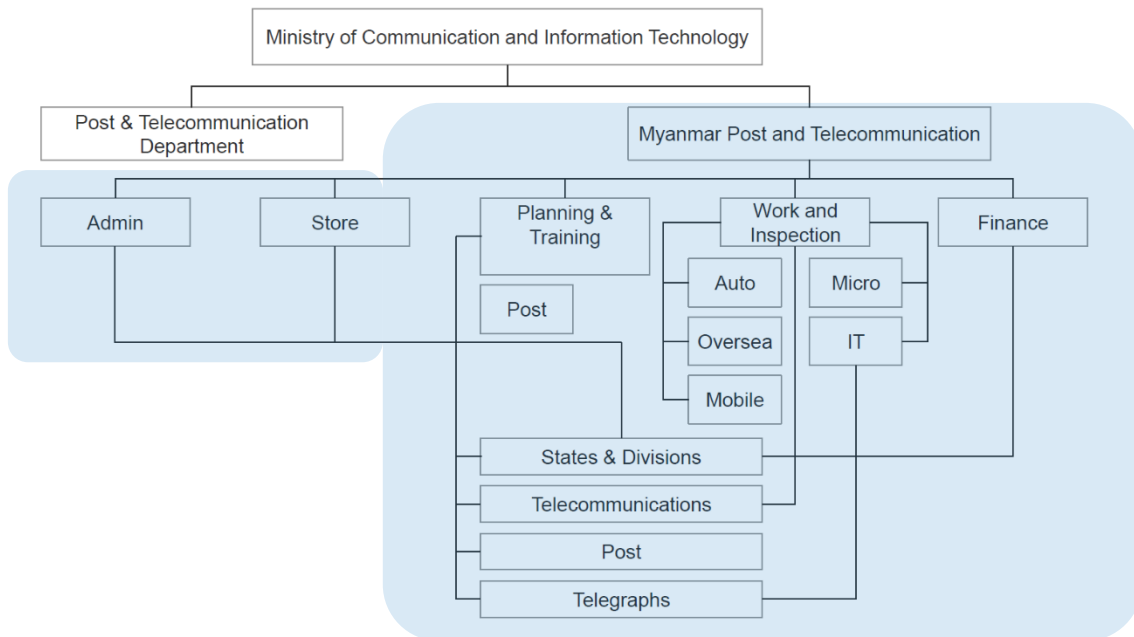
2. Overview of Myanmar's Postal Operations

2-1. General overview of Myanmar's current postal operations

2-1-1. Operating body and competent authority

The current operating body of postal operations in Myanmar is MPT, and the competent authority is the Ministry of Communications and Information Technology (MCIT). MPT has Post and Telecommunications Divisions. Its telecommunications operation is managed jointly with KDDI and Sumitomo Corporation of Japan. MPT continues to be the main operating body for Post Division.

Fig. 2-1: MPT organization chart (blue boxed area)



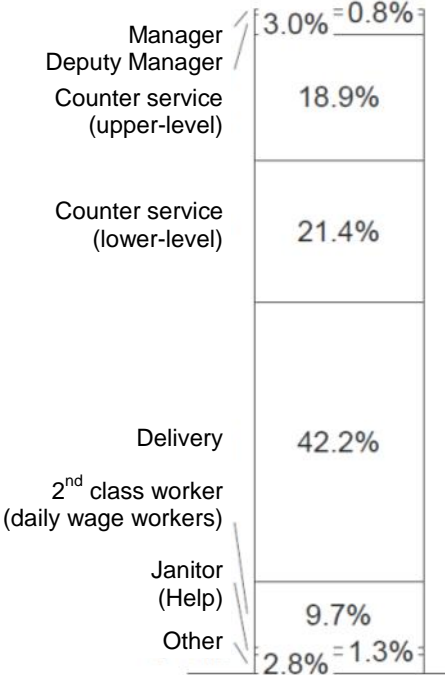
*MPT Source

2-1-2. Overview of Post Office

There are approximately 4,200 employees working in post offices in Myanmar in FY 2011. More than 80% of these employees are assigned to counter or delivery duties. The national land of Myanmar is approximately 1.8 times that of Japan, and there are 1,380 post offices throughout country, of which 787 offices are full-function post offices that provide all services, 206 are branch offices, and 388 are village agency post offices.

The three central post offices are located in the capital city of Naypyidaw, Yangon, the largest city, and Mandalay, the second major city. The English name for the office in Naypyidaw is the Central Post Office (CPO), and the offices in Yangon and Mandalay are called General Post Offices (GPO).

Fig. 2-2: Employee Structure by position of all post offices as of December 2013



*MPT Source

Fig. 2-3: Front of Yangon General Post Office



Fig. 2-4: Map of Myanmar and the Locations of Three Major Cities

Yangon is approximately 350km from Naypyidaw, and Mandalay is approximately 250km from Naypyidaw.



2-1-3. Services offered by the post office

Services offered at full-function post offices are listed below.

- (1) Receiving and delivering ordinary mail
- (2) Receiving and delivering registered mail
- (3) Receiving and delivering Domestic Express Mail Service (DEMS) and EMS

* As EMS is called *Kokusai Speed Bin* (International express mail) in Japan, EMS generally means international post delivery service. In Myanmar, however, Domestic (D) is added to EMS or their domestic express service.

(4) Stamp sales

(5) Accepting and delivering remittances and express remittances

(6) Other (COD, application procedures for TV and video, rental BOX, etc.)

The charge for domestic post service is 100 kyat for ordinary mail in envelopes weighing up to 20 grams, 200 kyat for registered mail, 500 kyat for DEMS and 400 kyat for parcel weighing up to 500 grams.

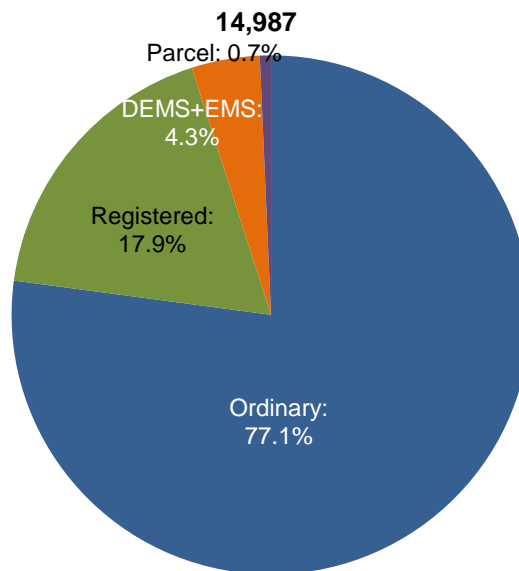
Charges for international service depend on the area of destination. A 20-gram envelope send as ordinary mail costs 500 kyat, 1,200 kyat for registered mail, and parcel up to 1 kg costs 23,400 kyat. (1 kyat \approx 0.1 yen)

2-1-4. Handled volume

Domestic and international post received during FY2012 totaled approximately 15 million pieces. A breakdown shows that the largest amount for ordinary mail accounted for 77%, and registered mail was 17.9%, DEMS and EMS was 4.2%, and parcels came to be 0.7%.

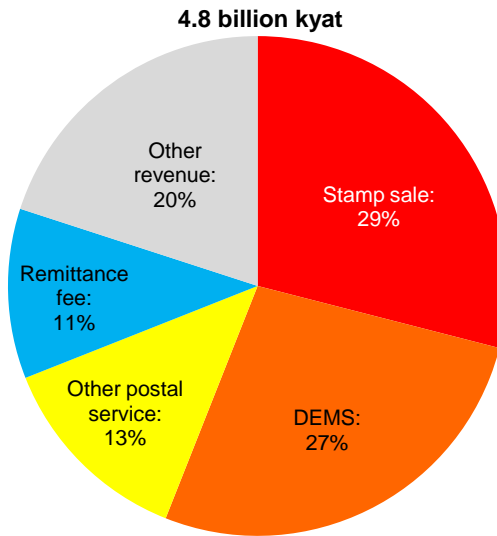
Sales for FY2012 were approximately 4.8 billion kyat. A breakdown shows the largest revenue from stamp sales at 29% of the total, followed by 27% for DEMS, 13% for other postal service, 11% for remittance fees, and 21% of other revenue. Compared to the volume handled for DEMS, its percentage in the revenue is large, suggesting that DEMS has become a profit earning product.

Fig. 2-5: FY2012 Postal Distribution Volume



*Created based on MPT data

Fig. 2-6: FY2012 Breakdown of MPT Revenue



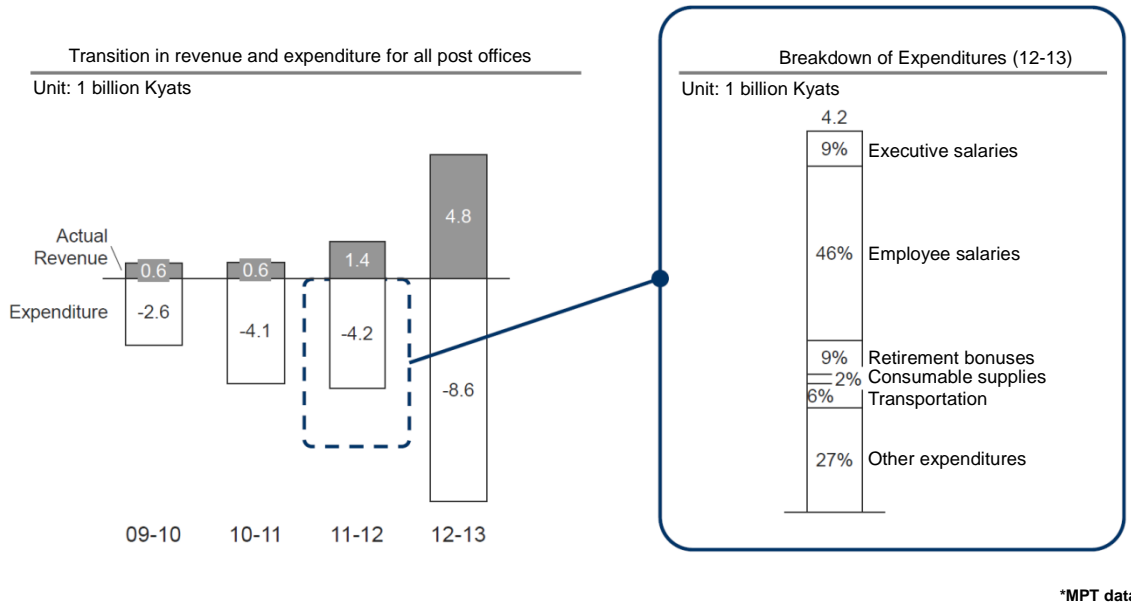
*Created based on MPT data

2-2. Current issues to be solved by Myanmar postal operation

Though Myanmar's postal service is government managed, it should aim for financial independence. Business results from the past 4 years that we know of resulted in consecutive operations in the red. Though the FY 2012 results showed a significant increase from the previous year in revenue with 4.8 billion kyat due to the increase of postal fees, the expenditure grew even more to 8.6 billion kyat, marking 3.8 billion kyat in deficit.

Looking at the breakdown of data from 2011 that covers 4.2-billion kyat expenditure, employee salaries account for nearly 50 percent of all expenditures. The revenue for this year was 1.4 billion kyat, which means that just the personnel expenses had marked deficit for that year. Understandably there was very little facility investment to upgrade quality of service.

Fig. 2-7: Breakdown of costs for FY 2011 (reprint)



The monthly salary for in-office employees is 72,000 kyat and 66,000 kyat for delivery staff. This is low compared to the average wage of non-manufacturing employees in Myanmar, who earn 173 USD (1 USD \cong 1,000 kyat in 2011). It is presumed that this low wage reduces staff motivation in no small way; however, considering the current deficit with just the personnel cost, it would be difficult to raise salaries. In consideration of the fact that employment in the public sector has become one solution to unemployment in developing nations, it is not feasible to simply decrease the number of employees.

While it is not possible to reduce expenditures, there are three major actions that should be taken in order to stabilize business of the MPT.

- (1) Increase the volume of current products and services being handled
- (2) Strengthen profit-earning products
- (3) Develop products that will be new revenue sources

In regard to (1), it has been demonstrated in Japan that demand for small size distribution and direct mail (DM) will increase with the expansion of economic activities. In Japan, there has been increasing need for a parcel service named “Yu-pack” to send products ordered through e-commerce (EC). Though the percentage of internet users is still small in Myanmar, the growth rate is high and the government has set the goal of having 80% of citizens be Internet user in three years. While Internet is a factor in the reduction of postal service usage it also increases demand for parcel distribution. It is forecasted that the current low 0.7% parcel handling volume will increase with the accelerated structuring of the communication infrastructure.

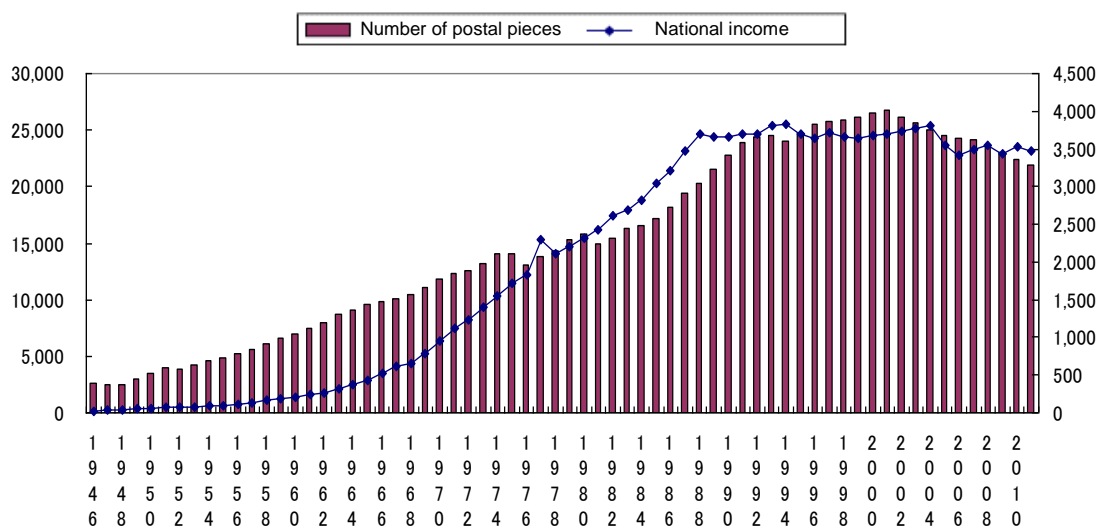
It was revealed that four major private delivery companies in Myanmar with approval obtained from postal operations provide delivery service at prices approximately 5 to 10 times charged by the MPT. With better quality service, MPT parcel delivery will become a highly competitive product.

A consumer survey that will be explained later revealed potential demands: some say they will use the postal system if delivery and counter staff's service is improved. Because of the forecasted corporate activities from economic growth, there may be 2 to 5 times the business in the future.

In regard to (2), considering the current percentage of revenue and the potential for gradual improvement in quality without significant changes in the current cost structure of personnel costs, which account for 60% of expenditures, a priority issue is the upgrading of DEMS, the domestic express service. In the project for the Ministry of Internal Affairs and Communications, Japan Post worked on shortening delivery days for DEM handling areas.

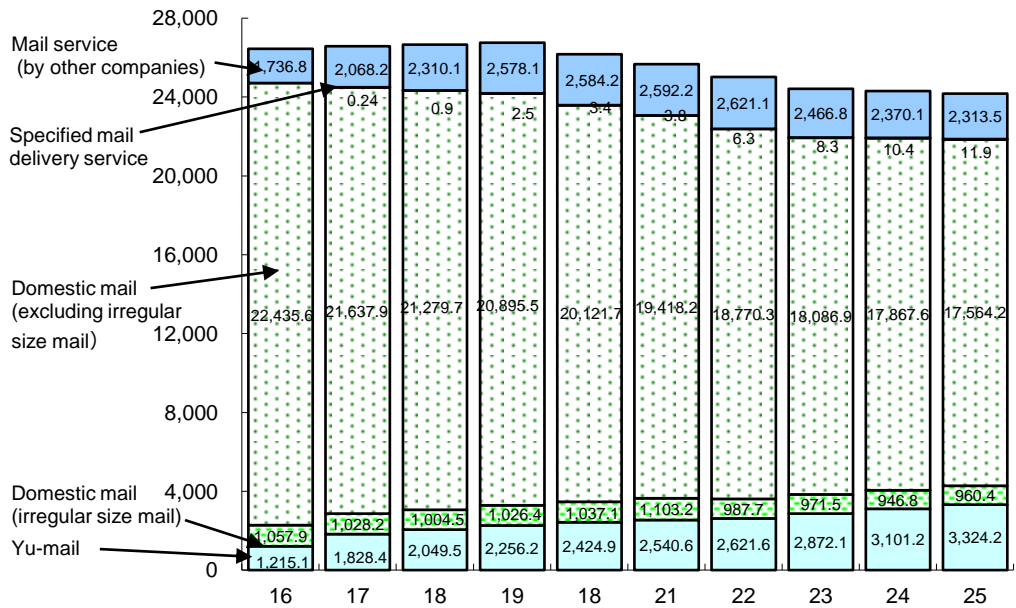
In regard to (3), development of new businesses can be considered, such as new products and services with the upgrading of the delivery network, or new businesses using the post infrastructure that enable an increase in sales through synergy with current operations. Japan Postal Service know-how on measures taken to explore revenue improvement after privatization can be utilized in this endeavor. The MPT, too, implements measures for large scale offices such as the GPO in Yangon and CPO, offering unused space to private courier services to obtain rental income as a revenue source; however, this measure provides no synergetic effect. Rather it created competition helping couriers obtain clients. There is a need to establish a model that will bring revenue from the current infrastructure assets.

Fig. 2-8: Transition of national income and number of postal pieces in Japan



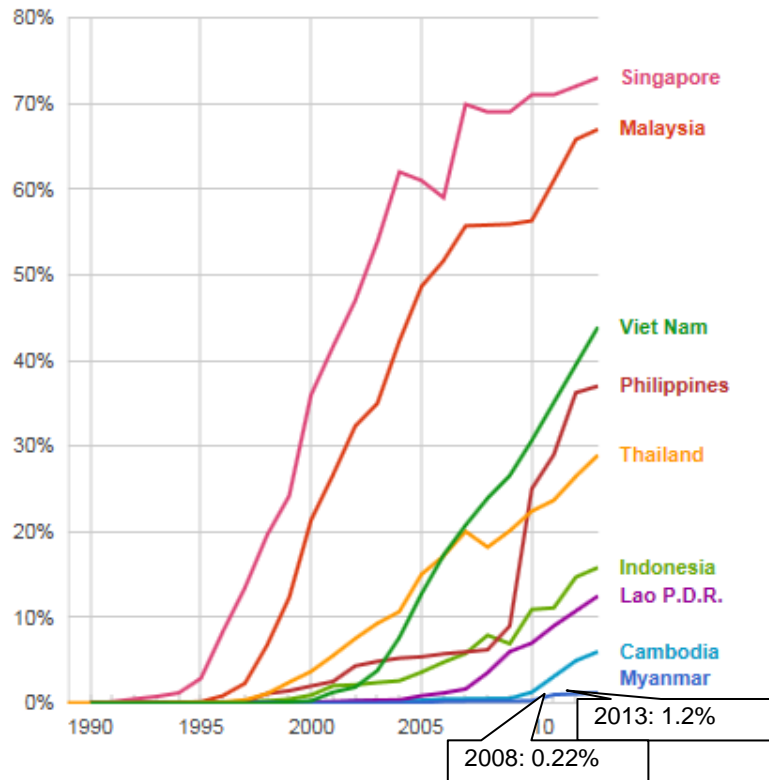
*Japan Post Data

Fig. 2-9: Transition in Japan's postal deliveries (excluding home delivery service)



*Japan Post Data

Fig. 2-10: Internet Diffusion Rate in ASEAN Nations



*ITU Data

Fig. 2-11: Summary of delivery service by private courier operators

	SBS	Royal Express	UCS	MGL
Established year	• 2001	• 2002	• 2012	• 2012
Service outline	• Providing mail and parcel services in 6 cities ²⁾	• Providing mail and parcel services in 4 cities ³⁾	• Providing mail and parcel service at 15 offices in major cities	• Providing mail, parcel and express services at 14 offices in major cities
Number of pieces handled	• Approximately 55,000 pieces/month (slightly short of 300 pieces/day) • Mails (documents) are the main category	• About 1,300 pieces/day with mail and parcels combined	• Total of 4,000 to over 10,000 pieces/month • Mail (documents) are the main category	• 200-300 pieces of parcel/day, 200-300 pieces of documents, etc./day for about 600 pieces/day
Major customers	• Main users are corporations • Accept all type of mail, including invitation cards	• Main users are government, consulates and corporations • Accept all type of mail, including invitation cards	• Main users are corporations with many B-to-B (including government organizations) • UNICEF, WB, ADB, JICA, Korean Embassy, etc.	• 50% corporations, 45% general public, and 5% government organizations • Majority of service used by corporations is invitation cards, advertising mail, etc.
Type of services	(1) Ordinary mail delivery service (2) Express mail service (next day delivery to Mandalay Lashio) (3) DM service	(1) Same day delivery service (for delivery to locations within the same city) (2) First Class Mail (2-3 days) (3) Second Class Mail (3-7 days) (4) Standard Class Mail (7 days or more)	(1) Same day delivery service (restricted to delivery within the same city) (2) Next day delivery service (restricted to some areas) (3) Regular service (7 days or more)	(1) Express service (Some delivered on the same day within Yangon. Some deliveries made from Yangon to Naypyidaw and Mandalay made the following day)
Fee (Corresponding to the service number above)	(1) From 400 kyats. The most common price range is 1,000 to 2,000 kyat. (by volume of delivery) (2) From 3,000 kyats in Yangon and Mandalay (by number of pieces) (3) Unidentified	(1) 4-5 USD (by weight) (2) 0.75-1 USD/piece (by number of pieces) (3) 0.45-0.5 USD/piece (by number of pieces) (4) 0.35-0.4 USD/piece (by number of pieces)	(1) From 3,000 kyats for delivery within Yangon (2) From 2,500 kyats for delivery from Yangon to Mandalay (3) Unidentified	(1) From 2,500 to 10,000 kyats for delivery within Yangon (less than 5kg), and 5,500 to 7,500 kyats for delivery from Yangon to Naypyidaw and Mandalay (1-2kg)

*FY 2013 report "Survey on the Postal matter delivery quality and status of postal delivery network of the Republic of the Union of Myanmar"

3. Understanding Citizen Needs and Status of Postal Use as Prerequisite for Improving Myanmar Postal Operations and Networks

3-1. Understanding status of means of communication use, including postal service

3-1-1. Objective

A consumer survey was conducted to obtain information and to plan more effective and efficient projects for the improvement of the Myanmar postal service as well as the development of related-business opportunities. Survey content included means and status of communication tools, such as postal service, by residents of Myanmar, their satisfaction or dissatisfaction, and existing and potential needs.

The method employed was a consumer interview of Myanmar postal service users that was analyzed by social class. Based on comments from a wide-range of consumers, the current status of service use and level of satisfaction and dissatisfaction were analyzed, then proposal for service improvement were made. Thereafter, a quantitative interview was conducted by visiting homes to verify the feasibility of proposal for improvement of service based on quantitative status.

3-1-2. Execution summary

The survey was commissioned to a local survey company, Myanmar Survey Research (MSR).

(1) Qualitative research (Group interview)

Survey was conducted on 16 groups fulfilling the following conditions:

- Subject requirements:
 - Myanmar citizen who has used the post office in the past 2 years
 - Age: 25 to 49-year-old male or female
 - Social class (Social Economic Class, SEC): A/B, C
- Survey area: Yangon, Mandalay
- Grouping (by city)

	Male		Female		Total
	25 - 39 year old	40 - 49 year old	25 - 39 year old	40 - 49 year old	
SEC: A/B	1	1	1	1	4
SEC: C	1	1	1	1	4
Total	2	2	2	2	8

Fig. 3-1: Flow of group interview

Ice Breaking	Name / occupation / family structure / hobbies
About communication in general	<ul style="list-style-type: none"> ■ (Unaided: Questions without examples from moderator) What means of communication do you use to communicate with others? ■ (Aided: Example response given by moderator)

	<p>Do you use mail, telephone (landline or mobile), SMS, e-mail, SNS, online games, and other means (facsimile, telegraph, Skype, etc.)?</p> <ul style="list-style-type: none"> ■ The 3 most used means, reasons and occasions
About current post office services	<ul style="list-style-type: none"> ■ Impression of post office and comment on services offered (freely) ■ Which service are you using? (un-aided) ■ Do you know of any other services available at the post office? (Unaided)→(Aided) ■ Services you have used and services you have never used (About services used) Why were you unable to remember without aide? (About services not used) Why do you not use it? ■ Satisfaction, dissatisfaction, points of improvement in regard to current postal services
About postal service	<ul style="list-style-type: none"> ■ Current services used (reason and period) ■ Reasons for using postal service (compared to other means of communications) ■ Satisfaction, dissatisfaction, points of improvement in regard to current postal services (Time required for delivery, frequency of collection, number of post offices, business hours, postal fees, overseas mail, etc.) ■ What do you think is important in postal service?
About remittance service	<ul style="list-style-type: none"> ■ Current remittance service (reasons, period, urgency, etc.) ■ Satisfaction, dissatisfaction, points of improvement in regard to current remittance services (Procedure, time required for receipt, limit amount, fees, business hours, overseas remittance/receipt, other) ■ What do you think is important in remittance service?
Impression of postal service in Japan from the explanation	<ul style="list-style-type: none"> ■ Financial service (saving, insurance, investment products, etc.) ■ Mail-order sales, handling and delivery service ■ Special event products (Christmas, Valentine Day, religious events, etc.) ■ Other (overseas products, regional specialty products, etc.) ■ Need in your life and why ■ Ideas for improvement for introduction in Myanmar

(2) Quantitative survey (interview through home visits)

Survey was conducted in Yangon on 800 Myanmar citizens fulfilling the conditions listed below.

● Subject requirements:

- Myanmar citizen who has used the post office in the past two years

- Age: 25 to 49-year-old male or female
- Social class (SEC): A/B, C
- Survey area: Yangon
- Subject distribution (Yangon)

	Male		Female		Total
	25 - 39 year old	40 - 49 year old	25 - 39 year old	40 - 49 year old	
SEC: A/B	100	100	100	100	400
SEC: C	100	100	100	100	400
Total	200	200	200	200	800

Fig. 3-2: Qualitative Survey Items

Use of communication tool in general	Comparison of today and 2 years ago
Assessment of post office	<ul style="list-style-type: none"> ■ Satisfaction ■ Favorableness ■ Reliability ■ Intention of use ■ Recommendation to friends and families
Use of post office	<ul style="list-style-type: none"> ■ Central Post Office ■ Town post offices ■ Mail box
Services used at post office	<ul style="list-style-type: none"> ■ Mail ■ Parcel ■ Remittance ■ Telegraph
Image of post office	
Level of satisfaction for post office services	
Use of various services (mail/parcel/remittance)	<ul style="list-style-type: none"> ■ Status of use ■ Frequency of use ■ Place of use
Assessment for new service ideas	

Fig. 3-3: Definition of Social Class (common to both quantitative and qualitative surveys)

	Monthly household income (unit: Kyat)	Yangon	Myanmar
SEC A	2,000,001 above	8%	2%
SEC B	1,000,001-2,000,000	20%	8%
SEC B+	500,001-1,000,000	30%	20%
SEC C	300,001-500,000	30%	30%
SEC D/E	Less than 300,000	12%	40%

3-2. Result

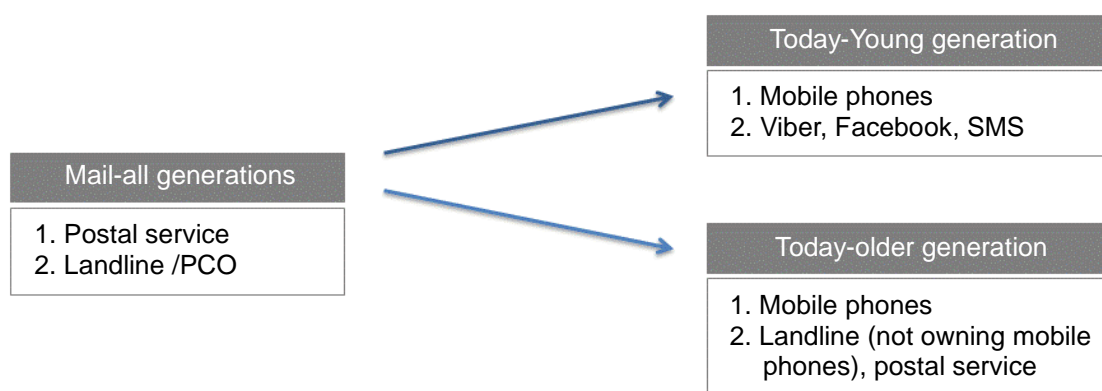
3-2-1. Qualitative survey

3-2-1-1. Communication behavior

From about two years ago, the diffusion of mobile phones and Internet has been accelerating, and the communication behavior among the wealthy class (SEC: A/B class) and middle class (SEC: B/C class) is showing drastic change. Particularly with regard to the speed factor, there has been a significant change in consumer needs, favoring methods of immediate communication.

However, regardless of social class, older respondents (aged 40 and above) show slow response to new technologies compared to the younger generations.

Fig. 3-4: Transition in communication behavior



Status of use, level of satisfaction or dissatisfaction of each communication method are explained below:

■ Letters

Until about two years ago, this had been the most common communication tool with friends and relatives; however, the coming of mobile phones led to decrease in number of personal letters. Letter writers are consumers aged in their 50s and above, when the other party is living in a remote place, or when sending documents to government agencies (applications to public universities, etc.) and for cases in which the postal service is the

only accepted method. The merit of letters is that privacy is protected; however, the greatest dissatisfaction for Myanmar citizens is the time it takes to have the letter delivered.

■ Telephone

For Myanmar citizens, telephones are mobile phones. Until about two years ago, the only people able to purchase mobile phones were those in the extremely wealthy class. The custom of having landline phones was not common, and most people used PCO (Public Call Office) or private telephone box, and use was restricted to emergencies. Today, however, the majority of city populations own mobile phones and use them as the main tool for communication.

Until two years ago when PCO functioned as the main telephone service, confidential communications (family problems, conversation between couples, etc.) was not possible. Calls were expensive and not available at night. The receiving party had to line up in front of the telephone to receive the call, which included many dissatisfactory points. With the diffusion of mobile phones, it has become possible to contact and communicate 24 hours a day, particularly in the metropolitan areas. SMS is also available for use enabling people to communicate freely. Fees are lower than PCO.

However, connections often become bad outside of big cities.

■ Internet

The Internet was rarely used until about two years ago, and it was mainly used in Internet cafés. Speed was slow and not practical. With the diffusion of mobile phones (smartphones), Internet access from smartphones has become mainstream. Internet has become particularly popular among the younger generation (under 40) and the wealthy class (SEC: A/B).

The use of Internet two years ago had been for communication with relatives living overseas by the wealthy class, and e-mail exchange for business purposes. In addition to e-mail, Facebook, other Social Network Services (SNS), and Internet telephone applications, such as Viber, spread quickly and have become a bridge to the external world as a tool to swiftly obtain information at a low fee. There are more and more food and beverage establishments and hotels where Wifi is provided free of charge, and the transmission speed has become faster.

■ Telegraph

Use was limited to emergencies (accidents and death, etc.) that required the utmost speed. Today, it is being replaced by the mobile phones.

■ Facsimile

Mostly used for business, and frequency of use is lower than e-mail; however, it remains the commonly used method in business settings.

■ On-line games

There were nearly zero users two years ago; however, use is gradually spreading among young SEC A/B class men.

3-2-1-2. Recognition and use of post offices

Overall use of post offices by Myanmar citizens is on the decline. The reason is dissatisfaction with services (particularly customer service). Postal service is under national management, and so most citizens have an emotional bond with post office and support its operation.

SEC C class consumers did not clearly state dissatisfaction with postal service. Most have not seen other outstanding services; therefore, expectations are low. As long as letters and parcels are delivered without damage, they consider it good service.

On the other hand, SEC A/B class consumers have used private courier services. They have the resources and social standing and are reluctant to act humbly toward government employees, whom they see as their inferiors, when asking for something. They make comments more openly than SEC C class consumers do, and they are not afraid to be critical.

All group interviewees showed a strong desire for improvement, particularly hoping for better customer service.

■ Good points of the post office

In regard to its function to deliver letters and parcels, most interviewees were basically satisfied with safe service and delivery, though delivery is sometimes delayed. All think that the post office is the only service available to deliver letters and parcels to relatives living in remote areas of the country. Above all, postal service is something very close to the people, and unlike private businesses, most people see the post office as an agent that serves to the benefit of people. Empathy to the country is expressed in support for the post office.

■ General dissatisfaction with the post office

Most of the dissatisfaction is targeted at the attitude of postal employees. Today the standard for judgment is the customer service provided at private banks, and the majority of interview subjects desired customer service equivalent to banks. Below are specific comments.

- Get rid of intermediaries who are earning money because of bad post office staff service
- Staff should give change. They shouldn't expect tips for providing basic service. Be kind, answer questions, work during business hours (most respondents stated that staff would have customers wait 1 hour in the morning but still take lunch break from 12 noon to 1, and they stop working after 2 pm)
- Staff should deal with customers properly and treat all people equal. Staff shouldn't skip turns to put their friends and intermediaries first.
- Posted matter is not delivered to accurate locations. Letters and parcels are not delivered to homes.
- Too long of a wait in line. What's more, customers have to go to several counters to send parcels or registered mail.
- Wish extension of business hours and express mail receiving hours

- Shorten delivery time
- Clean up the GPO (repair leaking roof, set up tables and chairs for writing, get rid of trash, make it brighter, etc.)

■ Recent postal service competition

Privately-operated banks and home delivery services have high reliance, are quick and offer better service to customers, gaining higher reputation than the post office. Most subjects (particularly SEC A/B) would rather spend more money to receive such higher customer service.

Fig. 3-5: Competitors for services offered by post office

Delivery of post matters	<ul style="list-style-type: none"> ■ Accelerated shifting from mail to mobile phones ■ Use of private courier service or express bus (safer and quicker) is increasing for document delivery
Delivery of parcels	<ul style="list-style-type: none"> ■ Private courier service ■ Express bus
Remittance	<ul style="list-style-type: none"> ■ Private banks (CB BANK, KBZ BANK, etc.) ■ Hundi (illegal financier) ■ Government bank

■ General Post Office (GPO)

Most of the subjects think the post office is the GPO. They have no knowledge of location or services provided by post offices in other townships. Only a small number of subjects have used township post offices.

Fig. 3-6: External operators conducting business at Yangon GPO and Mandalay GPO.



3-2-1-3. Evaluation of post service

■ Sending letters

Fig. 3-7: Evaluation of Letter delivery service

Status of use	With the increased use of mobile phones in Myanmar, there is less personal letter writing; however, postal service is evaluated as a low-cost service for sending and receiving unimportant items.
Level of satisfaction	While the majority of consumers see service favorably because letters are delivered in due time, consumers whose posted matters has not been delivered feel significant dissatisfaction.
Evaluation of delivery time	Generally it takes too much time, and people never know when the posted matter will be delivered. Consumers desires a significantly shortened delivery time (within 2 to 3 days, next day for express mail)
Use of office and mailbox	The majority of consumers use the GPO. There is low recognition for township post offices in the city. In regard to mailboxes, the majority of consumers think that mailboxes are rarely opened for collection, and there is a possibility of posted letters being stolen or children dropping things in the mailbox that would damage the mail, consequently leading to a very low reliance.
Staff response	Because staff do not work throughout their business hours, consumers were extremely inconvenienced. Considering the time spent going to the GPO, sometimes they feel their efforts are unanswered. Even if visiting during regular business hours, staff are chatting or drinking tea and do not serve the customer as they should. They would stop working way before lunch hour and take a full lunch break. The actual time staff serve customers is from 10 am to noon, and sometimes only from 1 or 2 in the afternoon. Many consumers have experienced lining up at the counter for express mail but reaching their turn after 2pm. This is after the end of express mail service, and they were unable to send the express mail they had intended to send.
Fee	Postal fees are reasonable, much lower than private couriers, so the postal fees, regardless of the type of letters (registered, etc.), are not a problem.

■ Sending and receiving parcels

Fig. 3-8: Evaluation of parcel delivery service

Status of use	About half of the respondents have experienced sending and receiving parcels. Most parcels are sent between relatives, and contents include food, books and clothing.
Level of satisfaction	Because consumers are aware that parcel delivery takes longer than letters, the level of satisfaction is slightly higher than it is with letter delivery. There are problems, too, with a few people experiencing opened parcels whose content has been stolen. Some consumers have waited for the arrival of a parcel, and have located the parcel only after persistently calling the office.

Evaluation of delivery time	Currently, parcel delivery takes time, and neither sender nor recipient knows when it will be delivered. Service is not reliable and sometimes food arrives spoiled. Consumers strongly desire shortened delivery time (within 2 to 3 days), and have higher expectations for much quicker express bus and private courier services.
Use of post office	All respondents thought that parcels could only be sent from the GPO, and are not content because it is inconvenient and too far. Particularly in Yangon with restrictions on motorcycles in the city center area, senders must lug heavy loads by taxi to the GPO, which is a problem both in terms of cost and time. There are no motorcycle restrictions in Mandalay; however, consumers desire an increase in number of locations and offices where parcels are accepted to reduce time and improve convenience.
Staff response	As with letters, reception staff are inefficient, and consumers are aware that they do not work fully during business hours.
Fee	Compared to express bus, which provides better and quicker service, parcel service is high costing.
Competitors	Use of express bus is increasing because of its quick same-day or next-day delivery (depending on distance). Fees are charged not by weight but by number of packages. The service is available 24 hours, and at night, package can be dropped off at the gate. However, packages are not delivered to homes, and so the receivers are required to go pick their packages up at the bus terminal. Packages are not insured against loss, theft, or bus accident. Private courier service is quicker and more reliable, and considered convenient for sending packages overseas. It can also be used to send valuable items (Mogkok Service for gem dealers, etc.). Support is offered in the filling out of documents. The down side to the service is its far higher prices compared to postal or express bus service.

■ Cash remittance

Fig. 3-9: Evaluation of cash remittance

Status of use	Only a small number of respondents used the post office for cash remittance. Approximately 25% of respondents have sent cash to relatives, but post offices were rarely their choice.
Use of post office	There are more post offices than private banks, so post offices are considered more convenient for sending and receiving money.
Staff response	Closed on weekends, and business hours are short.
Fee	Private banks charge more than the post offices; however, because the bank service is superior, consumers consider bank's charges for the service reasonable.
Competitors	Other available options are listed below: <ul style="list-style-type: none"> ■ Express bus: convenient for emergencies (possible to send on weekends and receive next day, etc.); however, priced higher than other means. It is safer if users know the company or driver. There is no insurance for loss or

	<p>damage.</p> <ul style="list-style-type: none"> ■ Private banks: quick and friendly service and reliable delivery. Fees are reasonable and there are many branch offices in cities. However, not all farming districts have branch offices. Closed on weekends. ■ Hundi: Convenient during emergencies. Limited area for remittance ■ Government-operated banks: <ul style="list-style-type: none"> - MEB Bank No.1 Branch: quick remittance, and service equivalent to private banks. Many branch offices scattered throughout Myanmar (including farming districts). Closed on weekends. - MEB Bank No.2 branch: Branch offices scattered throughout Myanmar; however, takes time and staff are not kind. <p>In most establishments, customer service is better than the post office, and consumers use private banks and Hundi for quick service. However, only a small percentage of respondents have bank accounts because they do not wish to disclose their financial status. Even the wealthy class does not have bank accounts.</p>
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3-2-1-4. Evaluation of new services that can be provided by MPT

Proposals were made and comments received for the following services: parcel pickup service by mail delivery staff, utility fee payment, mobile phone agent function at post office counter, mail-order, sale of fresh food from Japan, issuance and sale of greeting cards, small-lot payment service using SMS function of mobile phones, safe delivery of valuable items, religious donation agent, mail tracking system, and issuance and sale of commemorative stamps. Results are summarized below:

Fig. 3-10: Summary of respondent comments on new services

Services	Evaluation
Parcel pickup service by mail delivery staff	Rated high as an improvement that will save labor, time and transportation fees. People are willing to pay as much as 1,000 to 1,500 kyats for pickup service (In Yangon, where most people use taxis to transport packages to the GPO, they are willing to pay more because of the high cost of taxi). No improvement points. However, the service must be reliable, and pickup staff will need to be on time for pickup. Fee will vary depending on region and distance.
Utility fee payment	Convenient for saving time and labor. The idea of paying all utilities at one location has won favor among the majority of the people. Some consumers (particularly SEC A/B class) who have a driver, neighbors or security guard to pay the fee at the time the bill

	<p>is delivered at the door, find no added value in this service. It would be inconvenient to go to the GPO (particularly in Yangon), so this service needs to be available at all branch offices.</p> <p>*In Myanmar, water bills come every 3 months, and can be paid directly to the bill delivery staff. Electricity bills come monthly. If the customer is not at home and did not ask neighbors to make the payment, it must be made at the electric company office.</p>
Mobile phone agent function at post office counter	<p>Some showed interests, but those who already have mobile phones showed no interest. There are many shops nearby that sell mobile terminals, prepaid cards, and SIMs. Individuals showing interest seem to be lacking SIM cards and, SIM cards are sold at several times the retail price on the black market. Today, however, 3 companies compete in selling SIM cards at a low price and it is now possible to purchase them without much difficulty.</p>
Mail-order	<p>When proposing a service for mail-order food from Japan and other nations around Myanmar, most subjects show strong interest. It offers wider selections, and people are curious about high-quality products from overseas. In the past 3 years, products have become easier to obtain and selections have expanded; but not as much as other countries. Yangon has the greatest number of products; but in smaller cities, there are not many choices. If there is a catalogue in the house, people can see what is being sold.</p> <p>However, when products are shown in a catalogue with varieties and prices, it is necessary to examine if consumers will make the actual purchase.</p>
Sale of fresh food from Japan	<p>Most subjects showed strong interest in food from overseas and new things. On the other hand, interest in actual purchase seems low. In view of the fact that the majority of Myanmar citizens do not own a refrigerator and the frequent power failures, frozen food seems unfeasible.</p>
Issuance and sale of greeting cards	<p>Most subjects show no interest. There is no custom of writing greeting cards in Myanmar; however, there are many opportunities throughout the year to exchange cards for lunar New Year and religious events. Promoting greeting card exchange at these occasions may increase the potential for use.</p>
Small-lot payment service using SMS function of mobile phones	<p>Convenience of service—enabling remittance from home which requires no movement, hence saves time and labor—has resulted in favorable evaluation by all subjects. If money can be received at a post office, if there are many post offices near home, and if business hours are extended, the potential for this service is high. However, mobile phone reliability is not too high and there are comments about anxiety toward security. There were also many subjects not wanting to open an account at the post office.</p>

Safe delivery of valuable items	First impression was favorable; however, most respondents have no need to send valuable items. It seems there is a greater need to send in expensive jewelry, but more along the lines of wrist watches, mobile phones and other gifts to relatives.
Religious donation agent	Survey results showed that service to send stoles to monks would be welcome. Traditionally, many people make such donations on their birth month. However, there was a comment that religious donations on Thadingyut (Day of full moon in October to show respect to the elderly and teachers) must be made in person, and a proxy service is not appropriate.
Mail tracking system	Assessed that individuals involved in the delivery process would not be able to cheat or lie about the whereabouts of parcels/letters, which will lead to transparency and reliance. However, there are still many citizens who cannot use the Internet, and there are many obstacles that need to be overcome before expanding the use of the service.
Issuance and sale of commemorative stamp	It was evaluated that Myanmar citizens' interest in stamp collections is almost non-existing.

3-2-1-5. Summary of the qualitative survey

■ Current status of post offices

The roles of post offices in the people's lives have changed in the past several years. There are quicker methods (mobile phones, etc.) now available, and this has led to decreased use.

Many respondents expressed dissatisfaction with customer service at the post office and avoid using as much as possible. There is a new standard of customer service offered through services rendered by private enterprises, particularly banks. Most respondents used this new standard to evaluate the services of the post office.

Respondents reported experiencing loss of letters, damage to parcels and theft from parcels and cash envelopes. These experiences tend to be remembered, and this has led to a loss of trust in the reliability of the post office. More so, however, many respondents who mentioned episodes of loss or unkind staff had not experienced it themselves but had heard about it second hand. The reputation of Myanmar's post office services is far more negative than their actual evaluation.

■ Biggest issues with post offices

As charted below:

Fig. 3-11: Biggest issues of post offices

Improvement of operations	Speed up processing (increase counter service staff, one-stop service counter, etc.). Shorten delivery time. Ensure delivery to all homes.
Upgrade customer service	The urgent issue is to improve staff attitude. Hold training for greetings and customer service, and optimize customer service processes.
Rearrange service portfolio	Provide new services and ensure sustainable future revenue, to become the most viable option.
Change image	There is a need to convey that post offices have really changed (more reliable and kind) and recover users' feeling that the post office is safe to use.

■ Future of post office

The greatest asset of the post office is the general public's emotional bond. In spite of every possible criticism, the national post office is recognized as an agency that "serves the people," and people show a certain level of favorable feeling toward it. People comment that if service is improved, they would rather use the post office over private enterprises to help increase government revenue and develop the country. Such is considered the responsibility of patriots.

In order for post offices to become a greater part of lives of the general public, they must change by implementing three measures: 1) Improve customer service and delivery operations to a level equivalent to competitors in private sector; 2) upon improving delivery quality, widely seek high cost-performance as compared to competitors in the private sector; and 3) establish new services and be more of a part of daily lives of the people.

3-2-2. Quantitative survey (home-visit survey)

Qualitative survey revealed "speedier improvement in postal function (to ensure delivery)" and "upgrade customer service" as issues that need to be immediately addressed and resolved. The first step in the quantitative survey was to verify the result thereof. Contrary to the qualitative survey, "speedier improvement of postal functions (to ensure delivery)" confirmed a certain level of satisfaction among interviewees.

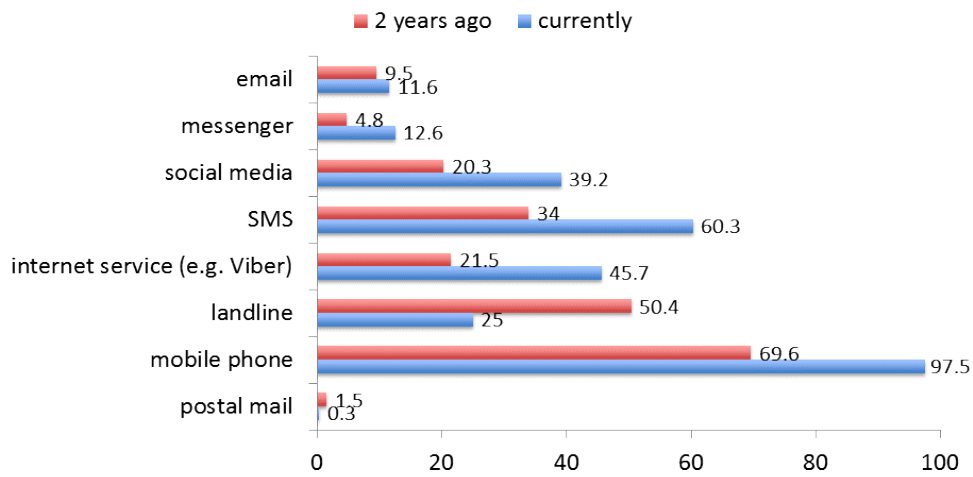
In view of the hypothesis from the qualitative survey and the verification from the quantitative survey, it was concluded that the first issue to be addressed by Myanmar postal service is to "upgrade customer service." Below is a summary of results for the various surveyed points.

3-2-2-1. Use of communication tools

Comparing the communication tool used 2 years ago and today, letters have become the least used tool while mobile phones have become necessity tool in daily life.

Comparison of landline use, PCO (public telephone) and post mail of 2 years ago and today, the rate of use for all three has dropped almost half in the past year due to the rapid diffusion of mobile phones. This trend is expected to accelerate, and use of the postal service as a daily communication tool will become more limited.

Fig. 3-11: Status of communication tool use (comparison between 2 years ago and today)

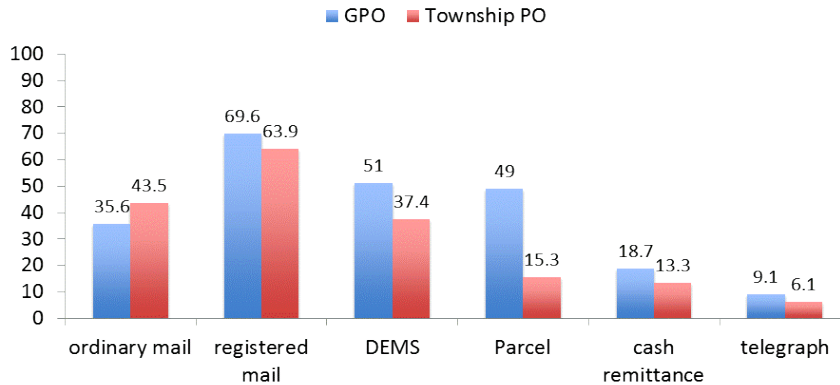


3-2-2-2. Evaluation of post office service

Unlike the results from group interviews, more Yangon residents used township post offices at approximately 68%. Use of mailboxes is low, as it was with group interviews at about 23%. The General Post Office was forecasted to have the highest rate of use at approximately 58%.

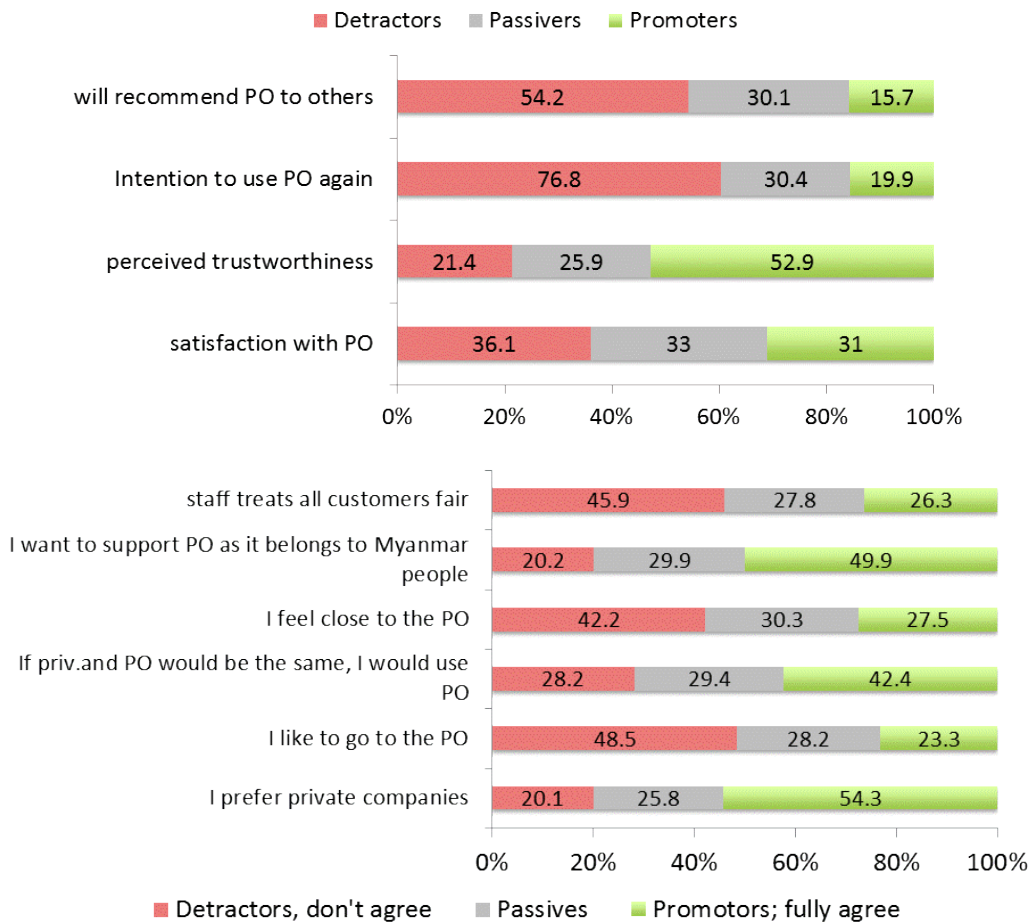
Comparison of use of the General Post Office and township post offices by service shows higher use of the GPO for all services. Parcels in particular concentrated at the GPO. Township PO exceeded GPO only for ordinary mail service.

Fig. 3-12: Use of post office by services



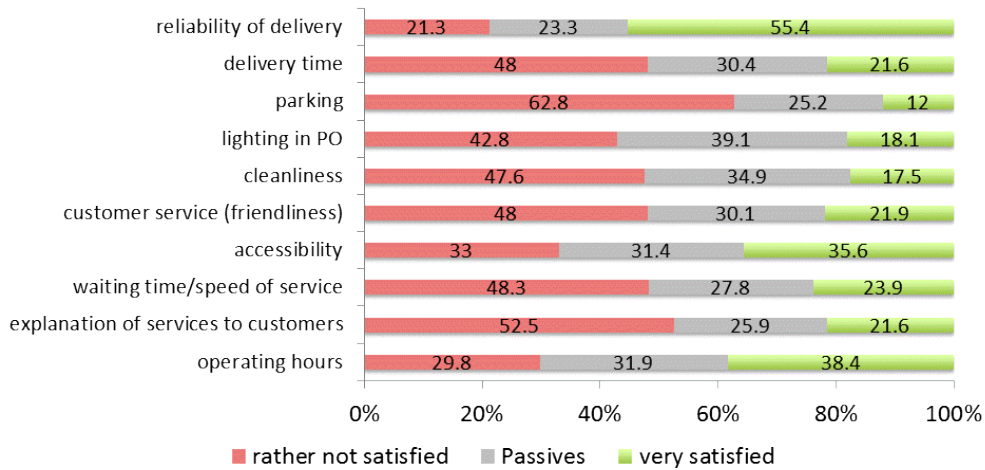
In regard to the evaluation of post offices by Yangon residents, the majority responded that post offices are reliable though the intention to use was extremely low. This is most likely caused by the low service level and the diffusion of mobile phones causing decreased need for postal service. Because post offices are run by the national agency, people have an emotional bond with it; yet, they would actually prefer to use private service.

Fig. 3-13: Attitude toward and comments about MPT



In regard to services provided by the post office, Yangon residents are satisfied with the function of letter and parcel delivery, as it was with group interviews; however, customer service proved to be extremely dissatisfactory in the quantitative survey as well.

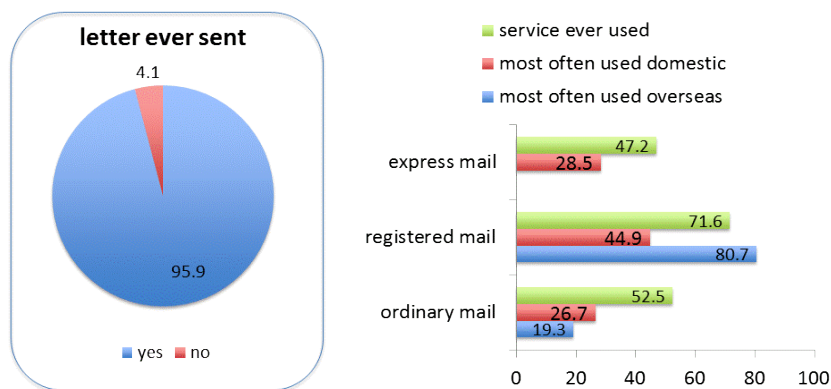
Fig. 3-13: Attitude toward and comments about postal service quality



3-2-2-3. Evaluation of letter-related services

The most frequently used letter-related service is registered mail. Though the function of delivery by the post office has reached a satisfactory level, consumers feel the service is slow. Therefore, registered mail is used widely because verification can be sought on when it was delivered. Particularly for important documents and overseas post, registered mail shows significantly more use.

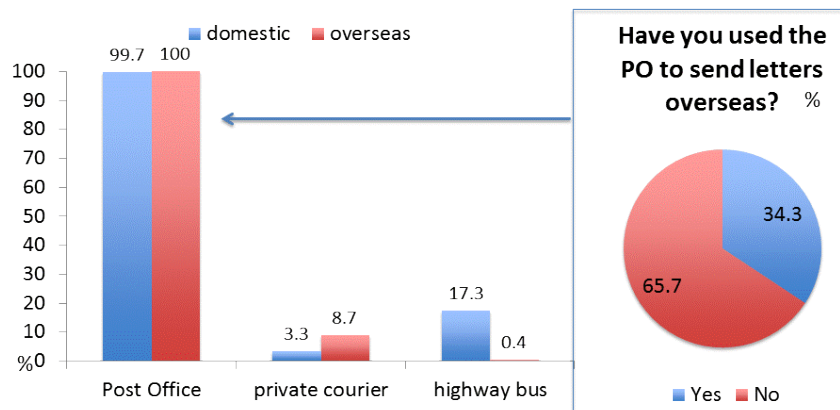
Fig. 3-14: Use of letter-related services



In spite of the high reliance on registered mail, the use of letter-related services has shown significant drop in the past 2 to 3 years for reasons explained earlier. There is no other reason for this but mobile phones replacing postal service as the basic communication tool. Furthermore, it is uncommon for Myanmar residents to send letters or parcels overseas.

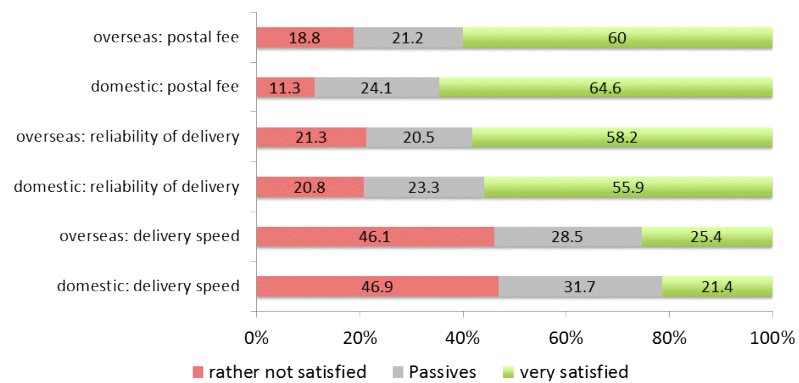
Compared to private delivery services, post offices offer the most reasonable fees from the point of view of consumers and offer delivery service to a wider area. At the moment, postal service is the only delivery network extending throughout the nation for which there is no real competition. Furthermore, approximately one third of Yangon residents have used the post office to send letters overseas.

Fig. 3-15: Use of letter-related services (comparison of domestic/overseas)



In regard to customer satisfaction, reliability of delivery has marked a certain level of satisfaction as explained before, and this is probably due to the registered mail service, the service most used by the residents. There is a high level of dissatisfaction with delivery speed. The use of express mail may show low cost performance.

Fig. 3-16: Evaluation for letter-related service quality

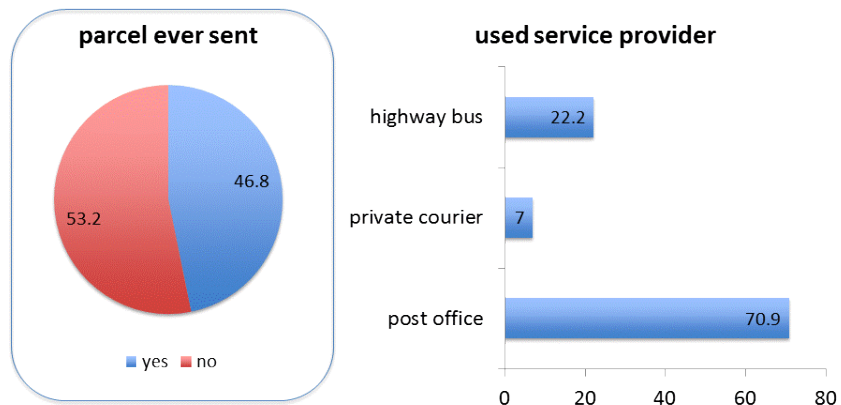


3-2-2-4. Evaluation of parcel service

Individuals using parcel services totaled less than half of surveyed subjects, and it was not the service commonly used, as was the case in the group interview.

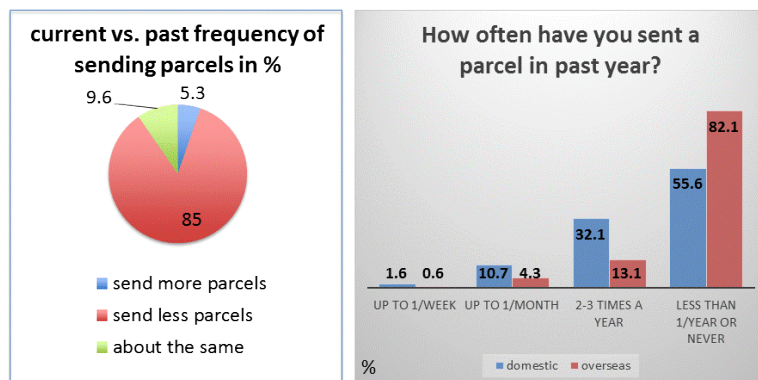
The postal service is currently strong as a tool; however, unlike letter-related services, express buses should be considered serious competitors for parcel delivery. Express buses have resolved the issue of speed with swift delivery, which is the greatest dissatisfaction among post office users.

Fig. 3-17: Use of parcel services



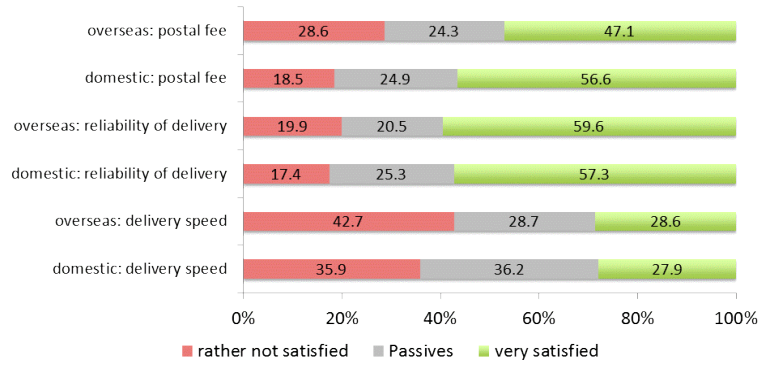
Use of parcel services has dropped in the past 2 to 3 years. A possible factor in this phenomenon is that while the use of personal level parcel service itself dropped, upgraded roads to and from Yangon and regional cities greatly improved access to regional cities which led to the development of the distribution network for private courier services.

Fig. 3-18: Use of parcel services (comparison of past and present)



As with the letter post service, parcel services maintained a high level of customer satisfaction. It is probable in the future that competition with express buses and automobiles will become more active.

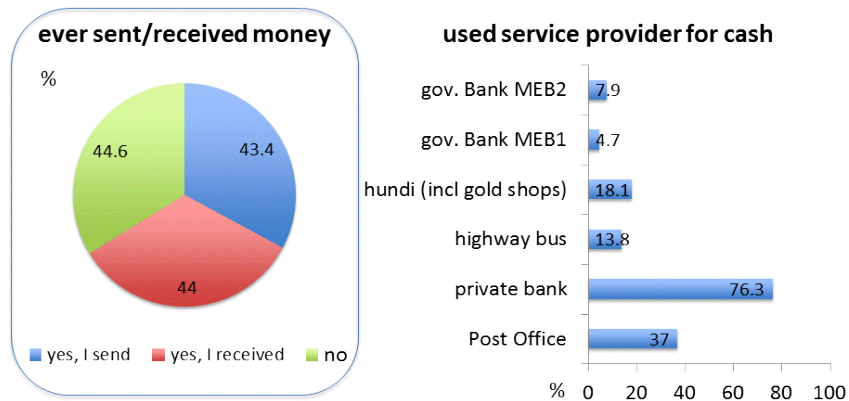
Fig. 3-19: Evaluation of parcel service quality



3-2-2-5. Evaluation for remittance service

Remittance service via private banks is the most common, and the post office comes second to banks.

Fig. 3-20: Use of remittance service

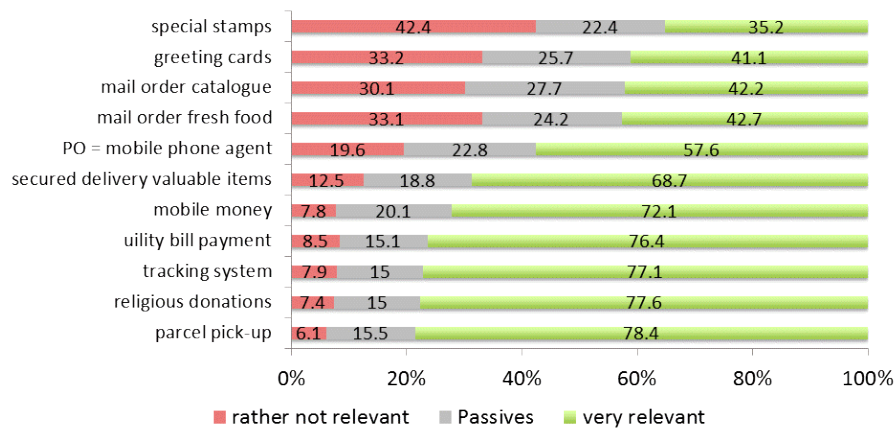


3-2-2-6. Interest for new services MPT may provide

Eleven types of services that the MPT has not yet provided, but which are feasible through the improvement of operations, were presented to the people. Yangon residents generally showed strong interest in all. The four services—parcel pickup service, mail tracking system, utility fee payment, and small-lot payment service via mobile phone—received strong interest from more than 70% of respondents.

Introduction of religious donations which received the second highest interest (approximately 78%), will require careful consideration of Myanmar consumers' religious consciousness.

Fig. 3-21: Interest in new services



3-3. Suggestions from the survey results

Execution of this survey provided a glimpse of drastic change in Myanmar consumers' lifestyle in line with the full opening of the market approximately 2 years ago. In particular, the diffusion of mobile phones as a basic communication tool led to a drastic drop in use of letters, service that had been provided mainly through the post office. The communication, information transmission, and making and receiving orders have shifted from post-related service to the mobile apparatus.

This change is sure to spread from the metropolitan area to regional cities, and then to farming areas, as seen in the history of Asian nations, and is a fact that cannot be avoided.

In other words, the post office's piece of the business pie is rapidly shrinking; and if nothing is done about it, it is presumed that the post office will fall into a management crisis.

However, there still is room for recovery. Below are comments from Myanmar consumers on how they see the post office with favorable eyes.

- Highly satisfied with its reliable delivery
- The network covers the entire nation, including farming areas

On the other hand, the point that needs to be urgently addressed is the attitude of staff toward customers. Myanmar consumers are beginning to experience other customer services through private channels in line with the full opening of the market, and feel extremely high dissatisfaction with post office staff service. There is a need to remedy this before the consumers' bond with the post office is lost completely.

Simultaneously, while lifestyle is changing quickly, and current pie of business domain continues to decrease, establishing new services making utmost use of the current network to ensure revenue source is a pressing issue to address.

Of the eleven ideas we have proposed in this project there were five are feasible,

- (1) parcel pick-up service
- (2) tracking system
- (3) utility bill payment
- (4) small-settlement via mobile (mobile money), and
- (5) religious donations

Trial operation as a prerequisite for introduction in larger cities such as Yangon and Mandalay is recommended.

4. Understanding Needs in FS Considerations for Post-related Business Development in Myanmar

4-1. Overview of on-site survey on advertising business in Myanmar

4-1-1. Objective

One post-related operation handled by Japan Post for the expansion of revenue sources was advertising operations. Post Office buildings are transformed into media with billboards outside and advertising posters inside. Racks for catalogues and pamphlets are also set up. Advertising clients are gathered through advertising agencies and affiliates, and this business operation has provided a certain amount of revenue to Japan Post.

In Myanmar, as well, the MPT has the potential with a network of approximately 1,300 offices throughout the nation, with post offices located along the main road or in the middle of settlements, to realize high value as advertising media. Moreover JP Media Direct, the main agent for this project, is a company established with joint investment by Japan Post, Dentsu, and Dentsu Tech. Dentsu is a major advertising company in Japan, and Dentsu Tech is its subsidiary. Considering the amount of experience and business know-how in this field, advertising operations will be the most suitable additional operation for which JP Media Direct can provide the greatest service in Myanmar. This led to an interview survey with a focus on Japanese companies that have advanced into Yangon to identify needs should MPT enter the advertising business.

The survey was conducted from September 23rd to 26th of 2014.

4-1-2. Overview of results

The business operations of targeted Japanese affiliate companies were examined, such as the office in Yangon, being a branch or local office, current advertising activities and future advertising plans.

Presenting cases in Japan of companies using post offices as advertising media, comments were requested about their interest, anxieties, and questions related to use of the post office as advertising media.

Obviously, there are issues related to corporate confidentiality, and not all information has been accurately grasped. The responses from interview respondents are summarized below. Keep in mind that not all companies responded to all the interview questions.

Fig. 4-1 Survey summary

(1) Business content	<ul style="list-style-type: none"> ■ Business overview ■ Sales ■ Location of offices in Myanmar ■ Marketing issues for business development in Myanmar ■ Decision-making authority for marketing budget in Myanmar ■ Plan for regional development in the future ■ Major clients
(2) Current status of advertising activities	<ul style="list-style-type: none"> ■ Total advertising costs (estimate) ■ Volume and budget used for advertising by media ■ Media or advertising method of interest (want to use in the future) *Newspapers, magazines, TV, radio, Internet, transportation advertising (bus, train, etc.), outdoor advertising, etc. ■ Period for advertising, reason (aim), advertising target area ■ Product to be sold strategically (price, promotion plan)
(3) Future advertising policy	<ul style="list-style-type: none"> ■ Media or advertising method of interest (want to use in the future) ■ Newspapers, magazines, TV, radio, Internet, etc. ■ Period for advertising, reason (aim) ■ Advertising target area, reason (aim) ■ Product to be sold strategically (price, promotion plan) ■ Which target to strengthen for advertising
(4) Advertising using post office/post network	<ul style="list-style-type: none"> ■ Interest and expectations for outdoor advertising ■ Interest and expectations for outsourced customer service ■ Interest and expectations for posting (DBM) ■ Interest and expectations for direct mail ■ Other (pamphlet distribution, adverting in the post office, advertising on post office building, etc.)

4-1-3. Target companies

Companies targeted for the survey were local companies such as automobile dealerships, household appliance retailers, consumer goods and food wholesalers, insurance agents, supermarkets, etc. The advertising budget for these companies is approximately ten thousand USD, and some companies whose strength is placed on advertising budget about 200 to 300 thousand USD. (*some companies share the advertising cost with makers)

The companies targeted for this survey are listed below:

Fig. 4-2: List of target companies

No.	Name of company	Type of company	Business category	Sales	Number of employees	Location	Advertising budget
1	Aung Gabar Services Company Limited	Local company	Automobile dealer	Unknown	80	Yangon, Mandalay	Approx. 30 thousand USD *Share ratio with maker unknown
2	Advanced Vision Co Ltd	Local company	Household appliance retailer	400 thousand USD	80	Yangon, Mandalay	Approx. 30-40 thousand USD *Total with maker
3	Rainbow Bridge Distribution Co Ltd	Local company	Consumer goods wholesaler	Undisclosed	300	Yangon, Mandalay, Patheingyi, Pyaw, Taunggyi, and other locations, totaling 11 locations	Undisclosed
4	IKBZ Insurance Co Ltd	Local company	Insurance agency	1.5 million USD	300	In 7 states and 7 provinces, excluding Rakhine and Karen, totaling 12 branch offices	Unknown
5	Tun Electronic Trading Co Ltd	Local company	Household appliance retailer	6 million USD	Unknown	4 shops in Yangon	24 thousand USD
6	Global World Insurance Co Ltd	Local company	Insurance agency	100 thousand USD	69	Yangon	30 thousand USD
7	Lwin and Swan Motor Co Ltd	Local company	Automobile dealer	300 thousand USD	Unknown	Yangon, Taunggyi	2.5 - 3 thousand USD
8	Asia Light Super Market	Local company	Supermarket	7.2 million USD	302	Yangon, Mandalay, Taunggyi, totaling 11 stores	No advertising budget
9	Hypermart Company Limited	Local company	Supermarket	Unknown	500 - 600 *Total for wholesale and retail	Yangon, Mandalay, totaling 8 stores	Unknown
10	TMW Enterprise Limited	Local company	Household appliance retailer	Unknown	Unknown	Yangon, Mandalay, Taunggyi, Pyaw, Naypyidaw, totaling 29 stores (of which 9 stores are SONY showroom)	300 thousand USD *Being the agent for SONY, total with the SONY share
11	Capital Hypermart (Capital Diamond Star Group)	Local company	Supermarket	Unknown	Unknown	Hyper-market in Yangon and Naypyidaw, supermarket in Dagon, and approximately 30 convenience stores in Yangon	70 - 80 thousand USD
12	City Mart Holding Co., Ltd	Local company	Supermarket	Unknown	5,000	7 Ocean store in Yangon, Mandalay, and Naypyidaw, 15 Mity Mart, 2 Market Place and 35 City Express in Yangon	240 thousand USD (*Confidential)
13	KCK Food Center (Restaurant)	Local company	F&B	1.476 million USD	80	2 restaurants in Yangon and 1 restaurant in Taunggyi	17 thousand USD
14	Grand Wynn Group of Companies	Local company	Food wholesaler	Unknown	429	Yangon, Mandalay	200 thousand USD
15	FUJIFILM MYANMAR Limited	Japanese affiliates	Japan: Manufacturer	None (local office)	Unknown	Yangon	Unknown
16	SOMPO JAPAN Insurance Inc.	Japanese affiliates	Japan: Insurance agency	None (local office)	Unknown	Yangon	No advertising

4-2. Summary of result

4-2-1. Media being used

Generally in Myanmar, there are four commonly used advertising media—newspapers (weekly newspapers), magazines, radio and TV—as well as the Myanmar version of the Yellow Pages, fliers and billboards. Many stated use of advertising on newspapers read widely nationwide, and radio, which penetrates to regional areas.

With the recent structuring of the Internet environment, advertising through electronic media, such as corporate websites or Facebook pages has increased. More than 80% of the companies visited for this survey responded that they have their own Facebook page where they post product introductions and announcements of new shop openings.

On the other hand, there are companies that advertise through area posting, commission companies with their own customer lists to send out DM and SMS, or send novelties to the company's customer list. In line with this diversification of advertising methods employed by companies, Royal Express and other private courier companies began offering marketing services.

In addition to advertising through mass media, some companies are putting more weight on promotion through the gathering of customers and buyers to explain and demonstrate products that are completely new to them or intangible products such as insurance. There were comments that this type of down-to-earth activity leads to greater results. If this type of promotional activity spreads through the rural areas, possible business opportunity exist in the rental of post office space as venues and help with gathering people; and there may be a need for agents and promotional staff.

As for the question about the kind of media company considering future advertising activities, responding companies expressed the wish to expand marketing through use of the web, direct marketing via post mail, and face-to-face sales activity, which would expand the market for these types of advertising methods in the future.

4-2-2. Period of advertising

Myanmar has two distinct periods, namely wet and dry seasons, with August to October in the wet season linked with the death of Buddha; and purchasing activity in the wet season is generally low. Purchasing activity becomes active in the dry season, and hence the advertising activity also becomes active after October after the wet season.

There were different comments given by local businesses and Japanese-affiliated businesses in regard to Christmas and New Year sales. According to local companies actually doing business in the local, they conduct independent promotions for Christmas, New Year, and for other seasonal events.

4-2-3. Decision-making process for advertising and investors

Maker-designated (exclusive) sales agents often work together with makers for product advertising. In most cases, promotional plans are created through collaboration between maker and sales agent, most likely led by the maker-side. After the plan is created, the sales agent negotiates with advertising media or advertising agencies. Sales agents commented that any change in plans or use of new media requires prior consultation with makers. In this case, the cost of the advertising is either shared by the two parties or entirely by makers; and sales agents carry only half of the cost for advertising at the most.

On the other hand, general retailers with no exclusive sales rights from specific makers and sales products from multiple makers plan their own advertising for the shop, and shoulder the full expense. The scale of advertising activity differs among retailers, from companies that do not advertise at all to companies that widely advertise by making utmost use of mass media advertising, in-store advertising, and posting.

Companies of a certain scale often create their annual sales plan and budget for advertising with marketing teams organized exclusively for promotional activities. Decision making for promotional activities by these companies is by specialized staff at the end of fiscal year.

4-2-4. Issues involving advertising

There were no general issues common to all companies. Instead, however, each company had its own special issues. These were generally grouped into 3 categories: 1) Issues concerning advertising methods and selection of media, 2) issues concerning measurement of effect from advertising, and 3) issues concerning advertising systems. Below are brief explanations of each.

Drastic development and the open economy under the leadership of President Thein Sein led to the diversification of advertising media. In addition to the current radio commercials and advertising in government-operated newspapers and magazines, there have been new means of advertising, and one automobile dealer commented that they are at a loss as to which advertising method to choose.

In relation to the above, supermarkets pointed out that while they outsource flier distribution, they're not sure if they are being distributed. The company to which the distribution was outsourced does not submit a report after completion of distribution, and the result of flier distribution is not clear. For example, a method was introduced to have coupons on the flier to simply and effectively measure the effect of fliers by counting the number of customers presenting coupons, a method often employed in developing countries. It was commented that consumers are not familiar with the use of the coupon on the fliers, suggesting that measuring the effect of advertising is not easy.

Billboard advertising was the only issue brought up by several companies. Specifically, the Myanmar government has the authority to decide where billboards are placed and to whom they are rented. Bidding is held regularly to decide which company will be given the right to place advertising; however, billboards in good locations are held by specific companies, and the right to place advertising is not determined merely by price.

Lastly, when dealing with products imported from overseas, extra fees are incurred, which makes the advertising of imported products more expensive. For example, a foreign product fee is imposed on the purchase of TV commercial frames. A revision of the system is expected.

4-2-5. Advertising using post office resources

(1) General comments

Use of the post office for advertising was examined with the introduction of post office use for advertising in Japan posted on the Japan Post website on a page entitled “Use for advertising” as well as the interest of the companies for such media.

Several companies expressed negative comments for advertising based in post offices for the reason that “people do not trust the post office and its services” to begin with. Because of lack of trust, “people do not come to post office and, therefore, advertising in the post office offers no value.”

Even though the biggest merit differentiating post offices from other courier services is the network of 1,300 offices spreads nationwide from cities to regional areas, more than one company pointed out that “there is no appeal because there are no company shops or services that have spread out to regional areas,” and “residents in regional areas are mostly poor and have no use for our products or services (therefore do not require advertising in that area).”

However, a comment was made that if companies began spreading shops to regional areas in the future, the post office network may be of use. If the Myanmar economy sees further development and if there is an increase of companies branching out to regional areas, this could offer a business chance.

On the other hand, there were comments that if post office improves customer service and heightens reliance, the idea of using post office for advertising would be “interesting.” The key, again, is the improvement of post office operations and staff attitude.

(2) Outdoor advertising (billboards, etc.)

Concerning advertising such as billboards on post office buildings, foreign-affiliated companies have the impression that people do not go to post offices and this is not an appealing advertising tactic. On the other hand, household appliance retailers and supermarkets commented that they are “interested” or that they will “consider depending on the location of post office and fees.” There is a possibility of offering the post office as media for outdoor advertising. Specific to Yangon, there is huge competition in the location of outside advertising. There is a doubt about the transparency of bidding for billboards set up by administrative organs. Offering outdoor advertising area may enable the capturing of corporate needs.

(3) Liaison service and sample distribution at the post office

Again, because of the strong image of post office as a place where people do not go, this advertising method is not appealing to businesses at the moment.

It is necessary to transform the post office into a place where people go and have that known widely to the public.

(4) Setting up fliers and posters in post offices

Due to the current state of the post office being a place where people do not go, several companies stated that the post office is not an appealing advertising media. Again, it goes back to the fact that post office must make efforts to bring in people and change the image they have created.

On the other hand, comments were made about the fact that the post office may be a suitable place to set up fliers and posters for intangible products and services.

(5) Holding events at post offices

Companies holding events as advertising activities in large cities such as Yangon, made positive comments about using the post office as a venue during national festivals. It was also pointed out that the post office would be a suitable venue for the advertising of products that require the gathering of people to provide detailed explanations.

As it stands now, there still is anxiety about the low distribution of event fliers, and the post office can be utilized only after improving the level of service.

(6) Posting

Some asked "How can we trust post office to post fliers when we don't trust post office operations to begin with." Some foreign-affiliated companies, on the other hand, commented on the possibility of using the post office for posting in areas where wealthy customers live.

Royal Express has been offering posting services and some companies have long term business with Royal Express. There seems to be no complaints about its service; which makes Royal Express competitor in terms of fees and service.

(7) Direct marketing

There was a small number of comments expressing high expectations for direct mail as an advertising method with the objective of structuring, managing and developing relationships with good customers. Direct mail is a method to be considered in the area where wealthy customers live.

(8) Other

Insurance companies, as well as local and foreign-affiliated companies, expect post office staff not only to advertise the products but also provide explanations, promote subscription and conduct application procedures as sales agents for their products.

Under the current system, it is not possible for the company to increase and send out sales agents immediately. If it is not possible for the post office to become their direct sales agent, it is the hope of these companies that post offices will take one step forward and have the function of "introductory sales agent." These comments are valued for considering new businesses for the post office.

There were also comments that the post office should not limit new business in advertising media or advertising methods. Some of the products that can be targeted are herbal medicine and cosmetics that many consumers use, that are not swayed by locations, and can be dealt with in suburban and rural areas alike.

4-3. Overview of survey results

While many businesses make use of so-called mass media advertising, they are actively moving into digital information transmission tools, such as SNS, and direct marketing, because of the shift of information contact channels for residents and unclear

cost-effectiveness to the mass media advertising. In Myanmar, however, dependence on direct advertising is not high.

The majority of comments on the idea of using the post office as advertising media or as a direct marketing agent using its infrastructure do not consider it appealing as it stands because of low demand for postal service (survey subjects never used postal service), low reliability of postal operations, and people simply do not go to the post office. On the other hand, with the prerequisite that the post office heighten its reliability and increase handling volume, there were comments about the possibility of using post resources for advertising, events and direct mail. Particularly in Yangon, the outdoor advertising set up is limited with an unclear bidding process, so the addition of the post office as an outdoor advertising tool available to businesses may be in demand.

At any rate, recovery of MPT reliance is the priority before these new businesses can be considered, and establishment of new businesses using post office infrastructure should be examined from the mid to long-term perspective. Picking up post service needs and establishing post-related businesses that will bring about revenue through synergetic effect are issues that must be addressed by the MPT management.

5. Technical training for MPT

A seminar targeting MPT staff was held with the objectives of sharing the above survey and interview results, improvement ideas for a heightened delivery network that was not included in the Ministry of Internal Affairs and Communications projects, and the proposal of new products and services to improve MPT revenue. Below is an overview of the seminar.

Date and time: December 12, 2014, Friday, 10:00 ~ 12:30

Venue: MPT Training Center

Lecturer/presenter: Unno (JP Media Direct), Tabata (Japan Post)

Target: Postmasters of post offices in Yangon, executive class staff (including regional post office staff) approximately 60 individuals

Content: (1) Sharing some of the consumer needs survey results and issues to address

(2) Sharing some of the business needs survey results and issues to address

(3) Based on MPT interview results, proposals from the Japan Post experience

- Enhance management to improve reliance for delivery network using ICT
- Improve reception to heighten service quality (about “*Omotenashi* (hospitality)” of retailers in Japan)
- Proposal of new products and new businesses as revenue sources

(Cool EMS service/counter agent operation/advertising operation, etc.)

Participants expressed “wish to learn from the accuracy and speed of postal service in Japan” and were “impressed by postal operations promoting mail-order using the Internet.” MPT directors and the Ministry of Internal Affairs and Communications will begin discussions for the first step in improving operations with the use of ICT to encourage the MPT to conduct verification test for online money order operations.

Fig. X: Scene from the seminar



6. Summary

6-1. Issues concerning improvement of postal operation in Myanmar

Social infrastructure includes the railroad and other transportation system, seaports, airports and the distribution network. For Myanmar, whose economic activities are expected to become more active, the distribution network based on the postal system is the infrastructure that has close bearing on people's lives. It is a form of modernization from democratization that can be perceived by the citizens of Myanmar.

Letter and postcard communication, which was the center of postal operations, is being replaced by mobile phones, and demand is decreasing worldwide. Myanmar is no exception. The mission of postal operations is to deliver information anywhere, with reliability and at low cost. In Myanmar, however, this had not been the case for years, and it has resulted in the post office handling a volume far below actual demand. Furthermore, expansion in e-commerce in recent years has increased individual distribution, and the need for more closely net network for parcels has increased. In line with this trend, businesses requiring small settlements have become more diverse. As mentioned above, the Myanmar government is targeting 80% Internet diffusion in the next 3 years from the 1.2% rate 2013. Looking at nations with advanced e-commerce, which includes Japan, it is evident that provision of a high quality parcel delivery network throughout the entire country and provision of delivery-related service will become more important.

The Ministry of Internal Affairs and Communications project improved the delivery system resulted in the creation of a next-day delivery system for ordinary and registered mail and parcels to Naypyidaw and Mandalay from post offices with DEMS service. From here forward, training is required to increase the number of staff with full knowledge of new operations and organizational reform to enable smooth operations for the establishment of delivery network operations. As it stands, the current volume handled by the system is insufficient for sound management operations. The MPT does not have its own means to transport post matter from one city to another, and is dependent on trains and long-distance buses. Busses carry the risk of frequent accident and rail service delay with no guarantee of scheduled arrival. If the handling volume increases smoothly, postal service will have to restructure its delivery network and move forward into operations with its own means of transport.

It was also revealed, unfortunately, that the reliability of the MPT for citizens and enterprises in Myanmar is too low to become the bearer of other related operations. Today, through the efforts of MPT staff, delivery quality is on the path to drastic improvement. Without greater postal service use by the public, however, postal operations will tarnish sooner or later. Information about improvements must be actively transmitted, directions for the post office proposed by users must be listened to with sincerity and should be included in mid- to long-term plans.

The Ministry of Internal Affairs and Communications project was only able to improve postal operations but was not able to turn the chronic negative into positive operations. Management improvement must be dealt with in accordance with Myanmar law and a structural issue concerning post system design involves MPT reorganization. It has become clear that there is no action that can bring immediate effect. No doubt, stable management of Myanmar's post operations is to be dealt autonomously by the MPT and Myanmar citizens; however, there are many points on which Japan can offer its support. Below is an outline of some of the main support Japan is able to offer.

1 Formulation of ground design for postal service administration

A strategy must be formulated as soon as possible on what Myanmar should do about post operations in order to build and maintain a postal service as a fundamental infrastructure for its people. The content of this project and the report should be used for the formulation of this strategy.

The MPT is scheduled to create a Master Plan that will be the guide to formulating 10-year operation and action plans. Under the leadership of the Ministry of Internal Affairs and Communications, Japan is summarizing proposals to be used as references in the formulation of the Master Plan scheduled for submission in March 2015. The proposal contains suggestions for the establishment of goals for the Master Plan. The plan sets forth goals for an independent balance in the black, financial independence of the MPT, and the maintenance of universal service. As a method of achieving these goals, proposals included “continuous operational process improvement” as well as “recovery of reliability for customers and expanded the use of post services” focusing on widely communicated improvement activities and the introduction of new services, “promotion of management reform” with organizational reform and personnel development as their cores.

Japan will focus its attention on MPT movement in the formulation of the Master Plan and expects to provide additional technical support where needed.

2 Strategic correspondence to post-related operations and management

The survey conducted for this project revealed the potential for post-related operations as a new revenue source; however, engaging in new operations was determined to be premature from the perspective of Myanmar’s regulations for the participation of foreign affiliate companies, the country’s imperfect MPT system, and insufficient need among the public.

From here forward, effort will first be directed toward the strengthening of operations in line with the expanded demands of postal operations. After the realization of strengthened postal operations, business model and business operations that can be employed effectively from an early stage will be considered while simultaneously surveying the needs of Myanmar citizens and client companies. Furthermore, the current legal system, which hinders the start of post-related operations, needs to be reformed or corrected to move forward in collaboration with Myanmar administration and related businesses.

3 Creating a place for continuous discussion among related parties and users

In order to deal with new issues such as the heightened need for small distribution in line with the spread of e-commerce and responding to international standardization, it is necessary for related parties to listen to the needs of users and share what they’ve heard. Information must be exchanged and comments must be summarized among related parties to enhance the competitiveness of Myanmar as a whole. It is desirable to set up a place of discussions not only between the MPT and the public administration but also with system vendors, telecommunication operators, aviation operators and other related parties.

4 Moving forward with operation improvement with advanced ICT

In keeping with trend for e-commerce and the increasing trade volume in the Asian region, post operation improvement should be carried out, for example, with the introduction of advanced ICT for tracking. Prior to introduction, the governments of both Japan and Myanmar should provide necessary information and budget so that the MPT and related businesses can actively conduct verification tests and set up a trial system.

A measure that can be executed at an early stage is a computerized money order operations. A computer system is introduced with cooperation between Japan and Myanmar at the Central Post Offices in Yangon and Naypyidaw with a budget provided by the Ministry of Internal Affairs and Communications to conduct verification tests.

5 Basic survey on market needs, etc.

There is insufficient survey data on market and needs that provide the basic information to move forward with the revision of systems and government policies concerning post operations. Market research must be conducted continuously hereafter, and the necessary budget and support for appropriate survey planning, execution and analysis should be provided.

6-2. Direction of post operation support by ODA (technical cooperation)

In February 2015, continuous support for the improvement of post operation quality in Myanmar was selected as a JICA Technical Cooperation Project, succeeding the 2014 Ministry of Internal Affairs and Communications project. As the company making the proposal, we were a part of the Ministry of Internal Affairs and Communications project along with Japan Post, a company providing technical training. Based on the experience of planning and executing this project, we make the following proposals for technical cooperation.

1 Expand operation improvement training

Companies making proposals for the JICA project will work together with Japan Post to expand technical training for MPT staff continuing from the 2014 training provided for Central Post Offices in Yangon, Naypyidaw, Mandalay and major full-service offices providing DEMS service. Aiming to firmly root improved operations in the three cities or operations between three cities, targeted post offices for the training were expanded and training will be provided directly by post operation specialist from Japan.

In FY 2014, DEMS improvement was the highest priority issue, and technical cooperation projects hereafter will focus on the review of parcel operations forecasting an increase in demand in the future.

As an issue to address on a mid-term basis, operations at a level equivalent to major cities in both technology and awareness are to be penetrated into post offices located at the edge of the state borders where the minority race lives. There is a need to maintain and strengthen universal service, which is the main operation of post offices. We propose fostering persons responsible for the role of trainer in MPT headquarters as an item in the agenda for the future technology support projects.

2 Review of delivery networks between cities

Currently postal transportation between cities depends on external businesses such as railroads and private long-distance bus service. As mentioned above, use of other private business for transport between cities carries high risk in terms of safe and ensured transport. If the post volume increases in a favorable manner, risk from dependence on buses that handle express mail transport will increase. As a mid- to long-term issue, a trial for the independent transport network should be considered as support from Japan.

3 Strengthen sales staff skill

In order to recover from a state of chronic financial red, MPT staff will have to improve operations. Thereafter, staff should not wait for the next instruction but they should go on active sales visits to private companies and major public agencies, to obtain big-order clients. However, it is not easy to reform awareness of “work on the task given” that is rooted in the minds of the staff. Since privatization in 2006, Japan Post has been thrown into the world of competition with other private companies. Japan Post reorganized its sales system and increased demand by listening to comments from customers. Japanese businessmen who have experienced sales activities in the strictest environment, learned the importance of team building and methods, and individual skills that they have accumulated must be taught to Myanmar staff. It will become important to establish a system to check the growth of employees. As a company that provides marketing solutions using the assets of Japan Post, we intend to provide our know-how through technical cooperation projects.

4 Fostering marketing and public relations sections

In this project, some of the criticisms of the MPT received from citizens and businesses were pertinent; however not a few were incorrect impressions from past experience or hearsay. The current post office organization does not have a section for marketing and public relations. However operations are improved and service quality upgraded, there is no strategic method to inform citizens and businesses.

Adding a marketing and public relations section to the organization and fostering staff in charge with the required skills are important issues that need to be addressed for management consolidation to be discussed along with the above “strengthening of sales skills.” Young employees with good sense who have the ability to grasp the entire picture of MPT activities and match the needs of Myanmar society should be selected. Their ability should be strengthened through training programs in Japan. Technical training for actual public relations activities should be conducted as a part of technical cooperation projects. In this field, too, our achievements and wisdom can be of use.

The Ministry of Internal Affairs and Communications announced that they will continue to provide support to the MPT. The post office training that the MIC conducted in FY2014 will be taken over by the JICA Technical Cooperation project. The Ministry of Internal Affairs and Communications intends to provide support for activities not included in the JICA project. This includes support for the formulation of a master plan, support in the formulation of “Operation Plan.” The goals of the Master Plan from a financial point of view includes formulation of “Action Plans,” which are specific actions added to the Master plan, ensuring a place of political talk between the two government offices, the creation of new services and the introduction of new businesses that are post-related operation using ICT. MPT headquarters and MCIT are scheduled to be counter partners. We will walk hand-in-hand with the government, and contribute to the further development of the postal service in Myanmar through the fusing of know-how and skills as well as knowledge obtained through

survey activities.