

Networked Virtual Organization Model Enables Saudi Post to Accelerate Business Transformation

Executive Summary

CUSTOMER NAME

Saudi Post Corporation, Saudi Arabia

INDUSTRY

Public Sector

BUSINESS CHALLENGES

- Prepare for privatization and market competition
- Deliver business transformation: operations, customer service, cost-efficiency
- Create new business opportunities and revenue streams

SOLUTIONS

- Develop a new approach using the principles of the Cisco Networked Virtual Organization model
- Implement Saudi Arabia's first postal infrastructure and e-commerce platform based on the Cisco Intelligent Information Network

BUSINESS RESULTS

- Fast-tracked execution of transformation strategy
- New standards in service and operational excellence—connecting branch offices, postal cars, and mailboxes to IP communications, systems, and applications
- Improved delivery of postal services at reduced costs
- Enabled the deployment of new revenue-generating e-commerce services

Saudi Post Corporation is developing a blueprint for next-generation postal services. Harnessing the power of technology to deliver business transformation, Saudi Post is putting in place a visionary e-commerce platform and service-centric model that connects the organization, its customers, and potential partners. Not only will this provide high-quality postal services at reduced costs, it will also promote collaboration and deliver many socio-economic benefits to the kingdom.

BUSINESS CHALLENGES

Saudi Post Corporation (SPC), the public postal provider for Saudi Arabia, is currently undertaking some of the largest and most pioneering business transformation programs ever seen in the Middle East. The main focus for the senior management team is to prepare the organization's 10,000 employees and 565 branch offices for privatization—a transition that will involve a significant shift in culture, processes, structure, and systems.

Dr. Mohammed Saleh Benton, president and CEO for Saudi Post, explains: "Our vision and ultimate objective is the development of a commercially focused model that provides the necessary agility to create and deliver new capabilities for the overall improvement of postal services throughout the kingdom."

The path to realize this vision comprises a three-stage strategy underpinned by the innovative use of technology. Phase one is to establish a robust postal infrastructure, including a new national address system and e-commerce platform that will allow SPC to develop competitive postal services. This tact will signal the start of market regulation.



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Phase two will focus on outsourcing and in-sourcing activities in preparation for market liberalization, before finally moving to phase three and the full privatization of all postal services.

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Dr. Mohammed Saleh Benton, president and CEO, Saudi Post

SOLUTIONS

The starting point was to develop a new post code infrastructure. Unlike conventional postal systems that use house numbers, street directories, and post/zip codes, Saudi Post used “Neighbourhood”—an Arabic script-based system that made it difficult to accurately track postal deliveries due to multiple variations of the same address. Another problem was that the system only provided low levels of automation and integration, for example, with industry-standard sorting machines, relying instead on employees having to read lengthy text and sort mail by hand.

To remove these barriers to customer-service excellence and efficiency, Saudi Post enlisted the help of the Cisco® [Internet Business Solutions Group \(IBSG\)](#). A series of value-creation workshops were held in London, England, and Riyadh, Saudi Arabia, to share best practices and develop thinking.

Taking the strategic framework offered by the Cisco Networked Virtual Organization (NVO) model, this approach focuses on outperforming competitors by responding quickly to customers, collaborating better with partners to perform value-added activities, and fully standardizing business processes, data, and IT infrastructure. By using NVO, SPC was able to accelerate its strategy for business transformation.

“Cisco helped to identify and prioritize unified communications, collaboration processes, and applications that can be deployed on top of a converged IP infrastructure,” says Dr. Benton. “By linking applications for Web-enablement—such as e-payments—to employee productivity and business performance, we were able to determine those solutions that offered the highest value for Saudi Post.”

The first phase of this strategy has already been achieved. Saudi Post has connected 130 branch offices with a Cisco [Intelligent Information Network \(IIN\)](#) that supports IP telephony for 2,000 users (this will increase to 10,000 users with the planned network rollout to all 565 sites) and provides access to centralized data center services—making information available from ERP, point-of-sale, finance, and administration systems.

Just as important, Saudi Post's IIN has paved the way for a number of [innovative projects](#), including the introduction of a new digital post code system to determine the location of houses and commercial addresses. The system integrates geographical information systems and geographical positioning systems with satellite imagery—via PDAs or vehicle inboard devices—to guide drivers to the right destination. This advancement will not only improve logistical management and delivery times, but eliminate misdirected mail within a country covering over 772,000 square miles (2 million square kilometers).

The new postal infrastructure also provides support to one of the largest Radio Frequency Identification (RFID) projects in the Middle East. SPC is currently rolling out several million RFID-enabled mailboxes to provide advanced monitoring of its new home-delivery services throughout the kingdom.

RFID chips alert postal staff when they are in the vicinity of an addressee. Then, to overcome problems presented by several mailboxes located next to each other, the postman can scan the letter or package to verify the right mailbox before placing it inside. Finally, a signal is relayed back to the branch office to validate the delivery time and destination. This information is carried and updated over the IIN, in real time, allowing the sender to track the status of their parcels through the SPC Website or telephone inquiry point.

“The postal infrastructure will provide the key enabler—the ‘last mile’—by driving interactions and transactions. This will deliver many socioeconomic benefits by making it easier for businesses, such as the retail and travel sectors, to reach new markets and for communities to come together and socialize.”

Dr. Mohammed Saleh Benton, president and CEO, Saudi Post

BUSINESS RESULTS

Saudi Post has adopted the principles of a NVO model and accelerated its strategy for business transformation. The deployment of its new Cisco IIN—optimizing IP communications and sharing real-time information between branch offices, postal cars, and mailboxes—has ensured that SPC is well placed to respond to the challenges of privatization through customer service and operational excellence.

Advanced monitoring, improved workflow, and cost-effective use of resources means that the organization can enhance the speed at which mail and parcels can be delivered at the lowest cost possible. This includes the elimination of unnecessary overhead associated with sorting and delivery errors—a major problem for many postal systems.

This forward-looking approach is not confined to cost leadership or outperforming new market entrants. Promoting business partnerships and stimulating the economy are also high on the agenda. The postal infrastructure will position SPC at the forefront of e-commerce by acting as a platform that provides the organization, the government, and other interested third parties with increased access to the citizens of Saudi Arabia.

Dr. Benton describes some of the anticipated opportunities this will create: “The postal infrastructure will provide the key enabler—the ‘last mile’—by driving interactions and transactions. This will deliver many socioeconomic benefits by making it easier for businesses, such as the retail and travel sectors, to reach new markets and for communities to come together and socialize.”

NEXT STEPS

Looking ahead, SPC plans to continue the national network rollout to all 565 branches across Saudi Arabia, while at the same time creating attractive new services. An example of such a service is a pioneering project to connect e-mail and postal services together. “We plan to implement a system that will dynamically e-mail customers to inform them that they have post waiting in their mailbox,” says Dr. Benton. “This will be a world first and, combined with the launch of our virtual shopping-mall services, will help to develop our online relationship with our customers.”

MORE INFORMATION

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps Global Fortune 500 companies and public organizations transform the way they do business—first designing innovative business processes and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>



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