

MAIL

Italy shows how to make a profit from post offices

Royal Mail urged to expand into financial services, reports **Malcolm Moore** in Rome

ROYAL Mail could learn something from the humble Italian postie, immortalised in the film *Il Postino*. That's according to the man who turned around Poste Italiane, Italy's state post office, and who believes the Royal Mail should keep open its rural network.

Massimo Sarmi, 60, took over Poste Italiane in 2002. Today, he will declare the fifth consecutive year of profits for the company, after more than five decades of losses.

In the first half of last year, the group's net profits rose by 72.6pc to €378m (£257m). By comparison, Royal Mail said last month that its first half profits last year sunk by 86pc to just £22m, although the fall was largely because of a steep rise in the costs of servicing the

£6.6bn deficit in its pension fund. Royal Mail has threatened to close half of its 14,000 post offices, which it says are losing it £4m a week. The move would leave many people stranded without a post office for miles.

Italy has a network of the same size and is fiercely protective of it.

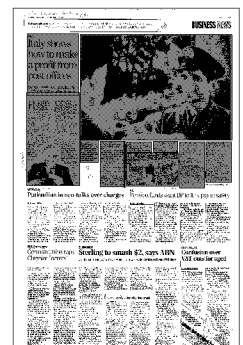
Many small Italian villages do not even have newsstands, let alone a supermarket or a bank. Their post offices are the fulcrum of village life, as portrayed in the hit film *Il Postino*, whose hero is a village postman who learns to love poetry.

But while Poste Italiane's network of post offices is also losing money, it now provides the backbone of a company which has diversified into retail banking, insurance and even selling vacuum cleaners, all of which produce bumper profits for the company.

Mr Sarmi said Royal Mail should do the same, if it wants to survive. "When I started, I realised that if I tried to close



even the smallest post office in the tiniest village it would create a national disaster," he



said.

Consequently, he based his strategy on the fact that he can reach almost every Italian and installed IT systems so that rural post offices could connect to the main office and start happily selling mortgages, bank accounts, and insurance.

The company also offers a pre-pay credit card, in either Visa or Mastercard, which has over 3m subscribers.

Mr Sarmi is the man credited with inventing the pre-pay mobile phone when he was in charge of Telecom Italia's mobile arm.

"Italians used to have to go

to the bank and then be redirected to a regional office if they wanted something like a mortgage," he said.

"Also, when you have a bank

account in Italy, it is only at a local branch. You cannot withdraw money from the same bank in another town."

The strategy has been wildly

successful, and Poste Italiane is now the biggest retail bank in the country, and the second-largest insurer.

"I do not understand why Royal Mail does not expand into financial services," Mr Sarmi said.

"Instead, they gave up their peripheral offices and left them in the hands of third parties."

Italians may frequently complain that they are still not receiving their letters, but Mr Sarmi is already looking to the days when people will abandon paper altogether.

Together with Microsoft, he has developed a system where workers can press a button on Microsoft Word or Excel and send a document

electronically, which Poste Italiane will then print out and send by registered mail to the recipient.

The tool is likely to be eagerly adopted by the hundreds of thousands of Italian bureaucrats who ceaselessly shuffle paper between departments.

The technological revolution, said Mr Sarmi, means that out of his 14,000 post offices, "now only 150 or so are unprofitable".

He added: "We are now the most efficient postal operator in Europe.

"Our operating margin is now 15pc, compared to 12pc for Deutsche Post."





Special delivery:
Massimo Sarni, left, knows post offices are the fulcrum of village life, as shown in the film *Il Postino*, above. Villagers in Hambledon, Surrey, clubbed together to buy their post office, right