

# Parcel Service by Truck Hits Top Gear

By Keiichi Yamashita

Door-to-door parcel service by truck carrier (*takuhaibin*) has established a tenacious foothold in Japan's parcel delivery industry. A phone call promptly brings a man to pick up the parcel, which will be delivered to any place in Japan either the following day or two days later at the latest. *Takuhaibin* has won the patronage not only of individuals but also of business corporations, with the result that it has rapidly displaced the two traditional public parcel services, Japanese National Railways (JNR) and the postal service, to become the established leader in the business. The number of newcomers has increased sharply, and as a result, the competition for market share has become fierce.

## Background of rapid growth

Yamato Transport Co., Ltd. pioneered *takuhaibin* in 1976. After a slow start, business began to expand rapidly in 1979, spurring other truck carriers to hop on the bandwagon. Today, as many as 113 companies are on board. In fiscal 1982, they delivered 174 million parcels, or 1.5 *takuhaibin* parcels for every man, woman and child in Japan.

There are two public parcel services in Japan, one operated by the Ministry of Posts and Telecommunications, and the other by JNR, the government-subsidized national railway system. The postal service, which handles only light parcels up to six kilograms, delivered 139 million parcels in fiscal 1982, down 10% from the

Parcel service trucks waiting for the next job



A parcel service truck driver communicates with his company's computer center.



Door-to-door delivery service is one major sales point for parcel service by truck.



Totally computerized parcel terminal



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preceding year. In contrast, *takuhaibin* grew by 60% over fiscal 1981. Thus, for the first time in its long history, the government-operated postal service surrendered to private parcel services the top position in the number of parcels delivered. JNR slipped behind the private sector two years earlier in 1980. JNR's parcel service was in more direct competition with *takuhaibin*, which handle parcels weighing up to 30 kilograms, and when the number of parcels it transported fell to 27 million in fiscal 1982, it abandoned its public responsibility and drastically trimmed its parcel service as part of a rationalization program.

Clearly, *takuhaibin* have grown by eating into the market shares of the postal and JNR parcel services. They have been able to do so because of their finely-tuned service. Unlike the public institutions, *takuhaibin* companies pick up parcels at the consigner's home or office, and deliver them to the consignee faster.

Before the start of *takuhaibin*, people had to take their parcels to the nearest JNR railway station or post office. Today, people just telephone the *takuhaibin* company, and a man comes immediately to collect the parcel. If necessary, he will even help pack it. To provide such prompt service, *takuhaibin* companies have set up a vast parcel booking network by commissioning neighborhood liquor shops and convenience shops to act as "parcel offices." Big companies like Yamato Transport and Nippon Express Co., Ltd. each have 70,000 parcel offices throughout Japan, triple the number of post

offices. A parcel office can be found near almost every home in the country.

Many *takuhaibin* promise delivery anywhere in Japan either the following day or two days after the parcels are booked. Neither the postal service nor the JNR can match this, except with special express post, for which an additional charge must be paid. JNR naturally uses its nationwide railway service, but the postal service also depends on JNR trunk line service to transport most of the parcels it handles. The difference between rail and truck transport in delivery speed gives *takuhaibin* a decisive edge.

Air transport, of course, is even faster, guaranteeing next day delivery to any place in the country. But it is also expensive—especially for individuals—while truck transport involves a minimum charge of only ¥500 (US\$2.08). Because Japan is a small country, an efficient trucking system can deliver parcels almost as quickly as by air.

Another factor which contributed to the *takuhaibin* boom is the parcel tracking information systems used by the trucking companies. These systems link on-line all the business offices of a *takuhaibin* company and its affiliates throughout the country, keeping track of every parcel from collection through arrival at the delivery depot and on to final delivery. A customer's inquiry about a parcel can be answered promptly simply by referring to a terminal which lists information on the present whereabouts of the package and when it will reach the consignee. The postal service, lacking parcel booking

numbers and invoices, has no way of making such inquiries. This is another big difference between parcel post and *takuhaibin* service.

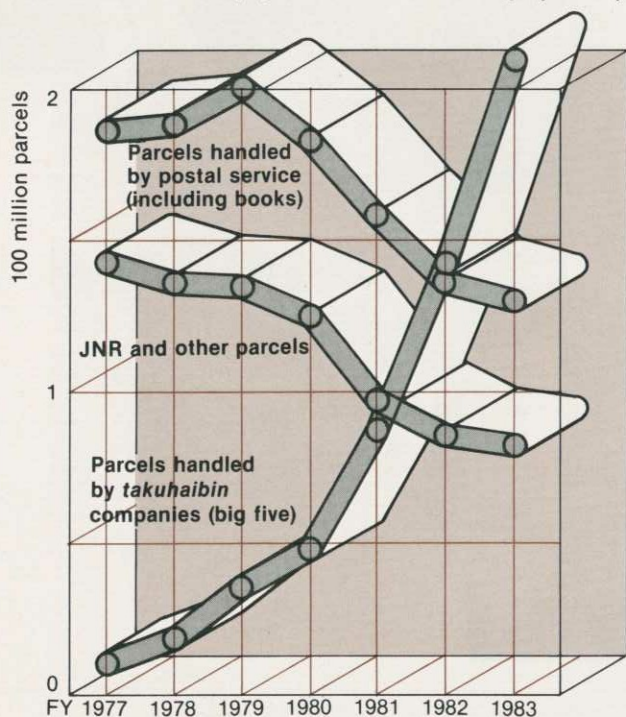
The bigger *takuhaibin* companies have mechanized their parcel handling operations by installing high-speed automatic sorters at truck terminals. President Masao Ogura of Yamato Transport acquired the know-how for mechanizing every process of parcel handling from the United Parcel Service (UPS) in the U.S. This technology has speeded up *takuhaibin* service, as well as cutting costs.

## Intensifying competition

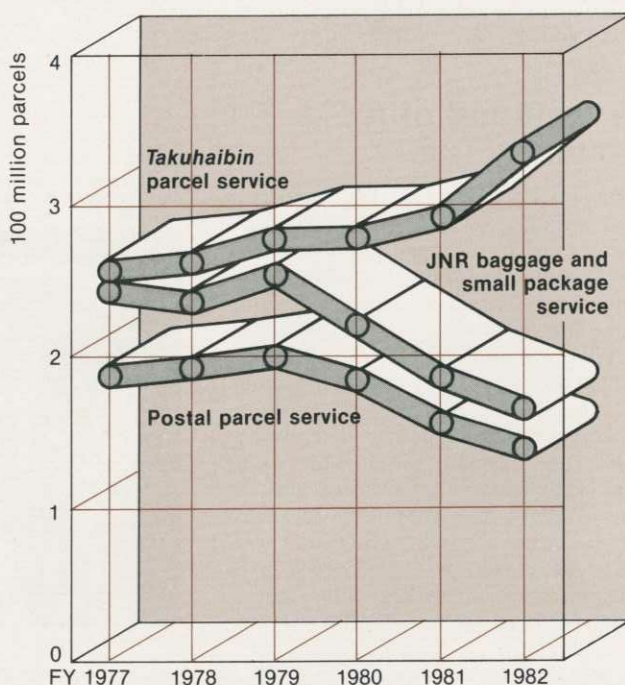
The flood of truck carriers into the *takuhaibin* business has touched off fierce competition. Most of the companies use animals or birds as their company symbol, leading some pundits to label this intense competition the "animal wars."

Yamato Transport, the biggest *takuhaibin*, sports a black cat on its trucks. Black cats aren't supposed to be lucky, but Yamato's share of the parcel delivery business (excluding the postal service and JNR) reached 42% in fiscal 1982. Being an early-starter, Yamato Transport is especially well known, and also overwhelms its competitors with its enormous network of parcel offices. Yamato's business income in fiscal 1982 reached ¥106.2 billion (US\$442.5 million), with *takuhaibin* accounting for more than 50% of the total. The company has a reputation as a high-growth enterprise, racking up more than 20% annual income growth.

**Volume of Parcels Handled by Takuhaibin Companies and Postal Service** (Figures for fiscal 1983 are projections)



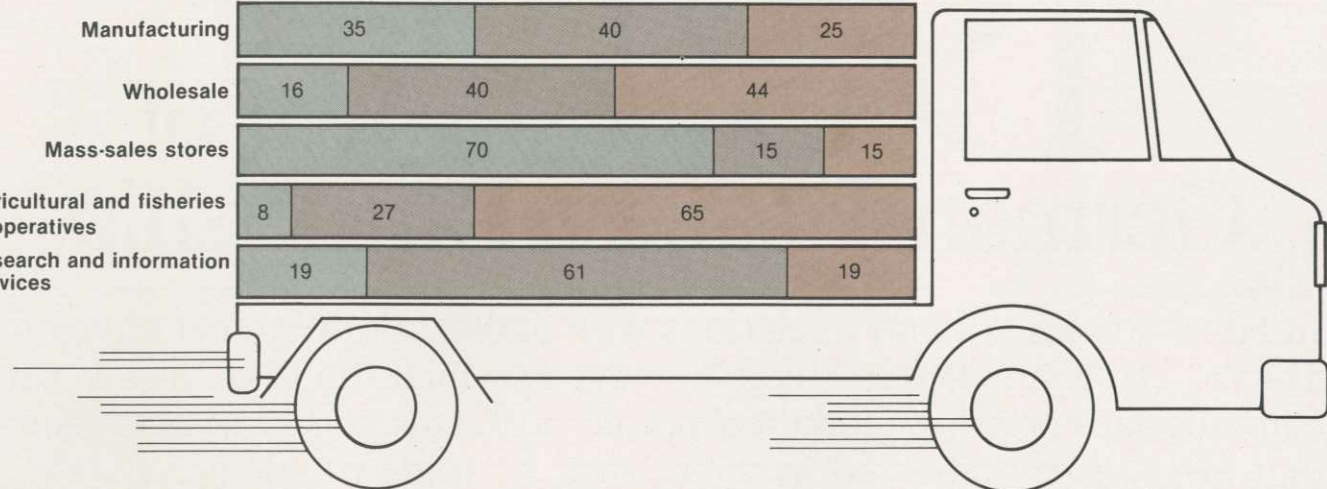
**Composition of Small Package Transport Market**





## Use of Takuhaibin Service by Business Firms

	Use almost daily	Use	Seldom use
All companies surveyed	29 %	41	30
Mining and construction	44	48	6
Manufacturing	35	40	25
Wholesale	16	40	44
Mass-sales stores	70	15	15
Agricultural and fisheries cooperatives	8	27	65
Research and information services	19	61	19



Late-starter Japan Express Co. is second, controlling 14% of the *takuhaibin* market. Japan Express is also a giant company, ranking among the world's top physical distribution firms with 54,000 employees and annual business income of ¥744.5 billion (US\$3,102 million). Its 20,000 trucks follow routes reaching into every corner of the country for an aggregate distance of 20,000 kilometers. Japan Express' mark is a pelican, and it is now making an all-out bid to catch up with its black cat competitor.

Economies of scale pay big dividends in the *takuhaibin* business, and every company is desperately trying to expand volume. That means extending networks of parcel offices and speeding up delivery. One notable recent development in this regard is the diversification in the types of parcels handled, a representative example being special food products native to various localities. The *takuhaibin* companies themselves purchase such local produce as salmon, crab, melons, and navel oranges at production centers. Their parcel offices then take orders from customers and deliver the food directly to their homes. Some companies have even prepared catalogs and started mail order businesses.

Sending skis and golf equipment by *takuhaibin* has also become increasingly popular. The equipment is delivered straight to the slopes or courses, and all it takes is a phone call. In a tieup with airline companies, some *takuhaibin* companies even deliver passengers' luggage from their homes to resort hotels in accordance with their travel plans.

Although *takuhaibin* started out as a gift delivery service, a large share of the business now involves physical distribution for business clients. A 1983 survey by

the Economic Planning Agency revealed that 70% of the firms surveyed used *takuhaibin*, 29% of them almost every day. The microelectronics revolution has made products smaller and lighter, and increased the need for speedy delivery in small lots. Physical distribution orders from business have thus become a new battlefield in the "animal wars."

## Toward oligopoly

A price war broke out among *takuhaibin* companies in the summer of 1983 after the Ministry of Transport, which has traditionally strictly regulated the Japanese transportation industry, to all extents and purposes let each *takuhaibin* company set its own rates. Some companies slashed fees by as much as 20% for light-weight parcels, and even the Ministry of Posts and Telecommunications lowered postal service rates on parcels.

The second half of 1983 also saw the "animal wars" go international, when Japan Express and Yamato Transport started door-to-door delivery of parcels from Japan to overseas destinations. This small package service via air was launched in cooperation with the cargo divisions of their own or affiliated companies. The main motivation was a belief that their corporate images would benefit if they didn't have to turn down customers' requests to deliver parcels overseas.

Intense competition and the expanding field for parcel services should keep the *takuhaibin* market on the fast growth track. Until fiscal 1981, the business grew mainly by encroaching into the market share of the postal service and JNR. Since fiscal 1982, however, its growth has been propelled by the development of innova-

tive new parcel services. Industry analysts believe there is room for further growth.

Based on projections by the big companies, the *takuhaibin* market in fiscal 1983 (April 1983–March 1984) should grow by 50% over fiscal 1982 to reach 260 million parcels. Some executives are aggressively optimistic, saying the market will eventually balloon to some 500 million parcels a year.

Despite the great future potential of the market, however, the dominant view in the industry is that very few companies will survive the coming shakeout. This reflects the fact that the parcel service business does not pay unless a huge volume of parcels is handled. To secure that business, companies have to beef up their competitive power by expanding their networks of parcel offices and further accelerating delivery. Moreover, they have to make enormous investments in truck terminals, automatic sorters, vehicles and warehouses. In other words, financial resources will determine whether or not quality service can be offered, and will make a critical difference in parcel collection and earning power.

A report on the *takuhaibin* business compiled by the Long-Term Credit Bank of Japan comes right to the point: "There is a strong possibility that the *takuhaibin* market will become oligopolized, with Yamato Transport at the apex. Only 12 to 15 companies will remain profitable, and only four or five will be able to enjoy high profits, the original merit of the *takuhaibin* business."

The price wars that started after this forecast was published will only make it harder for all *takuhaibin* companies to turn a profit, spurring the move toward oligopoly. ●