

## DETERMINANTS OF COMPETITIVENESS OF LOGISTICS SERVICE PROVIDER

*Е. Плачек.* **Детермінанти конкурентоспроможності постачальників логістичних послуг.** Досліджено актуальні проблеми та потреби підприємств, що надають логістичні послуги, й особливо в пошуці ключових факторів, що визначають їх конкурентну перевагу. Подібними детермінантами конкурентоспроможності здатні бути не лише зовнішні елементи (кон'юнктура, ступінь конкуренції, розвиток ринку) але, й частіше всього, внутрішні елементи, матеріальні (логістична ш телеінформаційна інфраструктура) та нематеріальні ресурси (знання, навички і вміння).

*Е. Плачек.* **Детерминанты конкурентоспособности поставщиков логистических услуг.** Исследованы актуальные проблемы и потребности предприятий, предоставляющих логистические услуги, особо в поиске определяющих конкурентное преимущество ключевых факторов. Такими детерминантами конкурентоспособности выступают не только внешние элементы (конъюнктура, степень конкуренции, развитие рынка) но, и чаще всего, внутренние элементы, материальные (логистическая и телеинформационная инфраструктура) и нематериальные ресурсы (знания, компетенции и умения).

*Е. Placzek.* **Determinants of competitiveness of logistics service provider.** The present study aims to show that in the current constantly changing environment an extremely important problem for business logistics service providers is to search for elements that allow them to stand out from the competition. The practice of economic life shows that the competitiveness is determined not only by external factors such as economic situation, intensity of competition, business branch development, but more and more often by internal factors such as material resources (logistic and telecommunication infrastructure) and immaterial resources (knowledge, skills and competence).

### **Logistics service providers**

In recent years, in the TSL sector there have been many business entities providing logistics services. All they want to attract and satisfy their customer's needs. This task is extremely difficult; therefore, logistics service providers attempt to seek elements that allow them to stand out from the competition.

Companies providing logistics services began being defined with various terms: logistics provider, logistics service provider, logistics operators, or the third participant. This raises a lot of inconsistencies in terminology that reflect difficulties to assign names of their activities and because of "liquidity" of factors determining the membership of a particular term.

Coyle J.J defines a logistics operator very broadly, as an external supplier performing all or part of the company's logistics function [1]. Lieb and Radall identify a logistics provider as an external partner executing logistics operations that were traditionally performed within the organization. Functions performed by a third party may cover the entire logistics process or, more likely, only some of the activities forming part of this process [2].

Generally a logistics operator can be characterized as a specialized company, arisen from the transformation of transport, shipping or storage companies, where activities are focused on meeting needs of a selected group of clients, or even a single client. A logistics operator is an organizer of optimal logistic processes (in accordance with the principle 7R), which provides customers with comprehensive logistics services.

Analysing strategic market position of logistics service providers, it can be postulated that in most entities it is a component of three elements. The first is based on the diversity of services, in order to meet customer expectations, the second is based on broadly understood needs of the market, and the third is based on the use of owned resources.

In the era of increasing globalisation and internationalisation processes these entities became

aware of the threat caused by a reduction in services. Companies realized that the provision of 'clean' core business services would not guarantee them opportunities for further operation on the market, thereby making profit and taking the best place against the competition.

#### **Factors of logistics service providers' competitiveness**

The competitiveness of logistics service providers can be defined as ability to achieve and maintain an advantage over their market rivals, it allows to identify it with the company's ability to present in the market a competitive offer comparing to others, which gives a good basis for analysing a competitiveness of a logistics service provider by identifying the factors that determine their competitive advantage achievement [2].

The aim of a competitive advantage is to be a more attractive partner for customers than other companies in the market. It is the factor of success, which is having a relative nature and is possible to be determined in the market context. When a logistics provider has a competitive advantage, it means that they have something that others do not have, they do something better than others or do something that others cannot. A competitive advantage is an element of long-term success, seen as a determinant of survival and development in a long term.

The practice of economic life shows that in the same sectors and identical operating conditions, some companies providing logistics services are successful and others lose [3]. This is due to logistics service providers respond to the factors affecting the competitive advantage (re to table).

*Factors influencing the competitive advantage of a company*

External factors	Internal factors
— economic situation	— resources (e.g. location, range of logistic network, trademark, brand, human or financial resources)
— intensity of competition	— company business skills
— directions of sectors development	

Development of a logistics service provider is to a large extent determined by external factors such as economic situation, intensity of competition or directions of sectors development. Internal factors that build competitive advantage should include resources and business skills of a company.

The distinctive ability of a logistics service provider is reputation identified as the most important commercial instrument for transmission information to customers. It is the market way to assess these qualities, which customers themselves are not able to evaluate. Innovations are an important basis for skills; they consist in creating by the company, among others, new service products, technologies and management methods. Strategic resources resulting from dominance or position in the market are also a source of advantage. In addition, logistics service providers can benefit from the experience curve effect, which provides them a competitive advantage and from market restrictions, which are a result of licensing and law regulations. Described in this way, competitive advantage is a feature of the specific market. Its value depends on the strength of outstanding abilities, market size and profitability of the sector [4].

The diversity of competitiveness is determined by variables of a general nature from the macroeconomic area - the whole economy, from the area of a specific branch – mesoeconomic and from the level of individual logistics service providers — the microeconomic. The impact of factors that determine competitiveness at particular levels is mutually correlated, creating a synergistic system, raising competitiveness at various levels of the economy. High competitiveness of various logistics service providers is the strength of branches and businesses.

#### **Sources of logistics service providers competitiveness**

The level of competitiveness in the market is defined as the intensity of competition. The greater ability to compete a logistics provider, with its high intensity in the market, has the more suited to emerging challenges its resources are (new markets, products, technologies, developed logistics network.). The effectiveness of competition is manifested in the economic results achieved in larger intervals.

Competitiveness means the ability to compete, and so to action and survival in a competitive environment and can be analysed at the company level or across the national economy.

Competitive advantage does not have an absolute character and is not given to a logistics provider forever. Dynamic changes that are happening in the environment cause that its continuation de-

depends on several factors: the nature of the advantage sources, the number of separate sources, continuous improvement of companies or raising the advantage [4].

The way to increase the competitiveness of a logistics service provider may be, among others, an attractive product, low cost, high level of customer service or value-added services. The creation of such an offer matching the needs and expectations of customers requires the company to follow skilfully the fast and frequent changes in the environment and to develop faster than the competition. Thus, the source of the competitiveness of a company providing logistics services may be its flexibility.

Generally, flexibility of a logistics service provider is “the ability to initiate and make changes to the rules currently in force in the company in order to better adapt to market needs and requirements of the environment, and thus the capacity to effectively respond to changes and disturbances in and around the company and to treat changes not as a threat, but as a way to take new actions and their verification in the market” [5]. Flexible actions of logistics service providers should be expressed not only in the ability of an organization to change, but also in the fast decision taking that allow for these changes [6]. Ability and willingness to respond to happening and anticipated changes in the environment should lead to preservation of existence and to satisfactory development of a company at possibly low outlay.

The result of the flexibility of companies providing logistics services are either changes in a structure and processes within an organization or relationship of an organization with the environment. In both cases, the source of changes can be either environmental influences or impulses within a company. Both the internal and external flexibility can be an excellent source of building competitive advantage. Hence, logistics service providers who wish to gain and maintain a high competitive position should have the ability to adjust quickly the flexibility to recognized current and future needs, expectations coming from the market.

Logistics service providers seeking to create a permanent market position must realize that most of the resources owned by them are rapidly changing or even losing their value. However, there are resources that not only do not use up during their application but increase in value. They are so called key competencies, which today are often considered the basic source of competitive advantage of a company. More and more often in the new economic conditions it is knowledge and information, their quality and timeliness that are key elements of competitive advantage among logistics service providers.

Knowledge is an immaterial resource of an organization related to human action, and if implemented, could be the basis of competitive advantage for the organization. Knowledge is related both with existing data resources, information, procedures, and intellect of employees in the organization.

Competences in contrast to skills have wider context. Competences of a company formed as a result of integration and coordination of particular functions of a service provider value chain, i.e. R & D, production, marketing and distribution. However, the greatest value is the key competencies, which are a unique combination of three elements: technology, knowledge and skills possessed by a company providing logistics services.

#### **Competitive advantage in the opinion of logistics service providers**

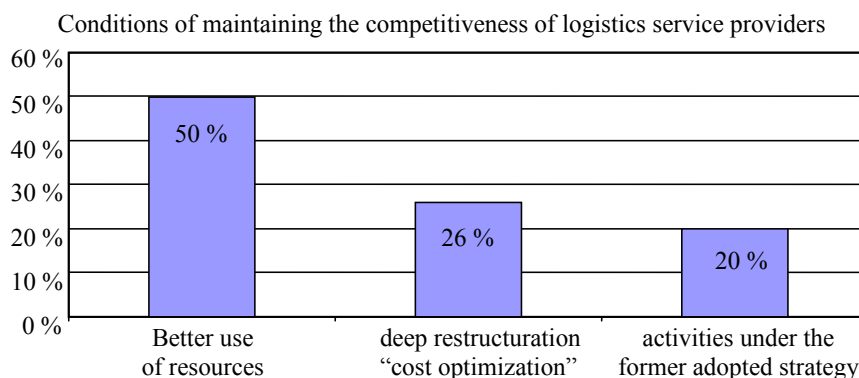
To strengthen their competitive position, logistics service providers seek to increase their capital and financial potentials, and above all operating ones. Customers of logistics service providers are more and more demanding.

Annually for several years Data Group Consulting has been conducting research concerning the situation in the logistics market in Poland, including extensive customer satisfaction survey (almost 1,200 survey interviews). In 2009, the company attempted to supplement the research with a survey of managers (less than 60 interviews) [7] (re to figure).

As the conducted research revealed, managers of logistics service providers are looking for sources of competitive advantage at:

- carried out analysis of the costs while looking for their optimisation methods,
- pay more attention to the efficiency of investments,
- maintaining owned portfolio of clients (maintaining the current level of sales),
- necessity for flexible response to changing customer needs, for example, offering comprehensive services or specialization and implementation of niche services,

- individualized approach to services such as “tailored services”,
- specialized logistics activities,
- human resources,
- creation of appropriate organizational culture.



*Data Group Consulting, 2009*

One of the logistics service providers, which belongs to the sector of small and medium-sized companies, indicated gaining the competitive advantage by “lowering the price of services, with a simultaneous increase in turnover. At the request of key customers they renegotiated contracts while reducing the rates and extending the scope and number of sold services.”

The results of the mentioned survey indicate that the main factor affecting the competitive advantage is resources owned by service providers (more than half of managers). It should be stated that competition is not only to have the resources, but above all their skilful use, and the basic areas of logistic activities ensuring to obtain competitive advantages are speed and timeliness of order fulfilment, the aspiration to maintain quality standards and flexible pricing.

The increase in expectations from a customer towards logistics and intensifying competition in recent years force to take new initiatives, the implementation of programs and innovative technology solutions which allow to obtain a competitive advantage. Specialization and complexity of services in the logistics industry will emerge more and more.

### **Conclusions**

Radical changes, which are taking place in the present environment of companies that provide logistic services, highlight the issue of competitiveness. In order to meet the growing intensity of competitiveness logistics service providers are forced to seek solutions that promote increased competitiveness. One of the key activities aimed at reaching this goal is to achieve and maintain permanent competitive advantage. The carried out advantage makes these entities possibly most attractive from the competition in the branch. It is the result of having specific attributes and their appropriate utilisation, that provide generating extraordinary profits. Competitive advantage is a kind of distinction, that ensures logistics provider better results, and which can be realized by means of carefully chosen strategy of competition. The choice of an appropriate strategy, based on which the company intends to build a competitive advantage, is in fact a difficult process that requires taking into account many factors, both internal and arising from the environment in which it operates. However, in the face of increasing globalisation processes logistics service providers must strive to find appropriate sources of advantage, to ensure their international competitiveness [3]. If a company wants to be a competitive logistics service provider, they must first of all realize that the achievements of their organization can be easily noticed and copied by the competition. Finally, their success depends on the dynamics of skills, because there is potential to create new competitive values.

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Referee: Dr. S. Shapoval, Odesa Nat. Polytechnic Univ.

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