

NON-MARKET FACTORS OF COMPETITIVENESS OF TRANSPORT, FREIGHT FORWARDING AND LOGISTICS COMPANIES

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Abstract

The paper presents non-market factors of competitiveness of transport, freight forwarding and logistics companies in relation to companies offering services in the market of logistics services and the diversity of these services. These factors include company internal factors such as the size of the company, structure of assets and capital, market activity, availability of resources, and intellectual capital. External factors having the nature of non-market activities include state policy towards companies, distinguished by determining and shaping the transport policy, regional and state legislative activity and fiscal policy by the state.

Key words: competitiveness, competitive factors, company internal factors, state policy.

Introduction

The essence of competitiveness is the growth rate of change, which has its source in the desire to fight for better position in the economic and social life. Competitiveness arises between constantly increasing needs and abilities to replace them.

Competitiveness can be considered in respect of products (services), companies, sectors, regions and countries. Competitiveness can be seen as the factor-based, namely the competitive capacity, understood as the long-term ability to compete and the outcome-based, that is a competitive position. Outcomes-based competitiveness is the external manifestation of the factor-based competitiveness.

The market is necessary for the existence of competitiveness and competitiveness itself is a feature and a mechanism regulating the behaviour of market entities. In short, competitiveness means the ability to compete, so to act and survive in a competitive environment. This concept can be understood as a whole, which consists of the following elements: competitiveness potential, competitive advantage, instruments of competing and competitive position. There are cause and effect relationships of two-way characters between these elements, i.e. condition or changing one element can be both cause and effect of the other. The competitiveness of companies is affected by a lot of factors that can be classified according to various criteria. From the point of view of competitiveness of the economy or economy sectors, the following factors are distinguished: macroeconomic (the government's economic policy, industrial, trade, fiscal policy, the regulatory system) and microeconomic (production capacity of companies, being equipped with production factors, marketing strategies, economies of scale). Due to the market nature of competitiveness factors, market and non-market factors are distinguished. The former play a role in the analysis of competitiveness determinants, they are also fundamental reference system of company market adaptation. These factors include primarily the price and quality of a service, product, service offer, the terms of service. The latter are both company internal and external factors. Company internal competitiveness factors include: the size of the company, the structure of assets and capital, access to raw materials, market activity, skills and knowledge of employees. External factors of competitiveness include the ones generally determining the state economic policy towards companies, defining the conditions for company operation and the market, for example transport factors. The factors for transport, freight forwarding and logistics companies include the transport policy, regional policy, legislative activity of the state and fiscal policy.

Non-market factors are a subject of discussion in this paper.

1. Entities offering services in the logistics services market

In contemporary developed economies, trading and manufacturing companies use a wide range of services provided by logistics operators, which has resulted in the emergence and development of the logistics services market.

The logistics services market in Poland is shaping and developing. As regards supply of services, there are large companies stemming from the former monopolists, trying to adapt to the conditions of free market com-

petition and new companies, mostly with foreign capital operating on an international scale. Logistics companies such as Raben, Schenker, Kühn and Nagel entered the Polish market with a wide range of services. The range from transport and freight forwarding through customs agencies, storage, packaging and to door - a door delivery. These companies use flexible, modern management methods, they have certificates of quality and a huge potential of investment in logistics infrastructure. It allowed them to open the distribution centers, extend IT networks enabling efficient warehouse and inventory management, and tracking shipping routes. Owing to the dynamic entry of foreign companies, many Polish companies could not stand competition and suspended their activities. Big, important Polish transport and freight forwarding companies such as PKS or PKP adapted to new operating conditions. This resulted primarily from their previous long operation in the international market.

On the PKP railway lines, the form of intermodal and combined transport was extended in cargo transportation. For example, in 2013, 231,299.39 thousand tonnes of goods were transported by rail, which means that compared to 2011 by 7.24% less. Although there is the downward trend in rail transport, intermodal transport is growing. In 2012, 8 902.20 thousand tonnes of goods were transported, compared to 2011. It was an increase by 35.49% (Zielaskiewicz, Nowak 2013).

The supply of logistics services is formed by four types of companies, namely, logistics companies, stemming from logistics departments of large industrial and trading companies, storage companies, transport, freight forwarding companies and courier companies.

Logistics companies stemming from the logistics departments of industrial and trading companies were transformed into independent subsidiaries and they saw their further development in the provision of logistics services offered to their parent companies, with the possibility of serving even other companies.

Modern storage companies base only on the warehouse function. They have become an important link in the supply chain and offer a comprehensive distribution service. These companies can operate as independent units cooperating with other entities, but they can also be as a part of the holding structure of transport and freight forwarding companies.

Transport and freight forwarding companies are most suited to offer an integrated package of logistics services, due to the size and structure of their fixed assets. The highest form of organization in the logistics market is the logistics centre. Such centres are places where distribution and transport activities are concentrated. An optimal location for logistics service centres is multi-branch handling and storage terminals organized in major

transportation hubs. Most of them are road, rail and road-rail-sea terminals.

Compared to the companies that form the logistics services market, Polish companies are weaker than foreign ones, even though they try to match competition. The market of TSL companies is highly fragmented. For example, about 80% are the companies having from 1 to 4 licences for international transport. In their strategy of action, smaller companies may choose to be a subcontractor (cooperating with a larger company managing the fleet on the basis of permanent contracts), to seek opportunities for creating co-operation platforms, cooperating with several clients on the “home carrier/freight forwarder” basis, to search for niches in the local market. Despite the presence of many small companies, we observe the processes of company mergers, consolidation, acquisition, the inflow of foreign capital and the customers’ expectation of increasing standard of services. As a result, new large entities with a potential for using comprehensive logistics services at a European or global level operate in Poland.

Also, the range of services provided is expanding. In addition to basic transport, storage, inventory management and packaging services, the range of additional logistics services is expanding, such as consultancy, logistics delivery, cargo consolidation and deconsolidation, just in time deliveries, the flow logistics system.

Transport and freight forwarding is handled by smaller Polish companies, whereas companies with foreign capital deal with cargo logistics services. Companies providing comprehensive logistics services tend to be more creative, have a high return on sales (about 6-7%), and transport and freight forwarding companies with customs service as well as courier companies include those whose profitability exceeds 10%. According to revenue from core sales, top companies dealing with transport and freight forwarding of cars, rail transport and sea freight forwarding include companies with Polish capital. And companies dealing with rail and air freight forwarding, logistics and courier services are mostly with foreign capital. This is due to the fact that companies providing more specialized logistics services require considerable financial outlays to create databases throughout the country and to manage them efficiently.

2. Internal factors determining company competitiveness

2.1. The company size

A frequently highlighted feature of the company is its size in terms of value. A size is often a condition of entry into the market, unavailable for small businesses. A similar situation occurs in terms of market share. A market is understood as a place where we obtain raw materials and the

place where we send the finished products. Both of these types of market have a narrowed character due to the limitations of raw materials or a limited number of consumers and competition. The company size is an asset that allows it to overcome a number of barriers such as:

- economies of scale,
- diversification of products,
- capital needs,
- access to distribution channels,
- a worse cost situation regardless of the scale and state policy.

It is, therefore, an important element that allows you to occupy an area of the market as large as possible, so that it is possible to actively participate in its creation. However, this is still only potential. In the case of a saturated market or sale of a product commonly referred to by marketing specialists as “cash cows”, the size of the company can be a burden, and thus lead to losing advantage over the smaller competitor. The same method of determining the size of the company raises a lot of controversy today. Most often, the size is determined by the valuation of the company, and this can be done by various methods and in any method, the result may be different. The starting point for the precise valuation of the company is its intrinsic value. It is the simplest value of the company, easiest to estimate, it is the intrinsic base value, mainly on the current net book value and expected cash flows in the future. It is independent of the actions taken by the company, universal for each company, relatively easy to estimate. Despite its advantages, it also has a number of drawbacks as it does not include data from the market environment in which the company operates, and isolating the company makes this value differ from the market value (Kowalska 2011: 246).

2.2. The structure of assets and capital

The structure of assets and capital is also an important feature of the company, contributing to the achievement of its objectives. This is a feature independent of the size, however, appropriate determination of the company structure may lead to a relative increase in its activity in the market. Generally, the assets can be divided into fixed assets and current assets. Fixed assets are not consumed in one production cycle, and they contribute directly or indirectly to the proper operation of the company. Both excessive value of fixed assets and their deficiency is sometimes detrimental to the company. Their excess makes the company bear the cost of their maintenance, and assets themselves are not fully used. Deficiency makes that it is necessary to use external fixed assets, which can also be costly and risky. Lately, however, the phenomenon of getting rid of unnecessary assets has been observed, and even moving whole departments outside the company

(so-called outsourcing). Such actions, however, must be preceded by a detailed risk assessment, which the loss of control over certain components being so far internal part of the company entails (Romanow, 2013). Another important element is the appropriate capital structure. Capital can usually be divided into equity and debt capital. In contemporary markets, there is rarely a situation when all activities are financed from own resources.

In this situation, current assets, by means of which current payments are made, would be funded from reserves, much of which would be unused for a considerable period of activity. For this reason, many companies choose to allocate elsewhere, and current payments are funded from short-term working capital loan, of course if conditions of granting the credit by banks or other institutions are favourable. Due to insufficient own funds, companies often decide to obtain long-term loans mostly for the purchase or improvement of fixed assets. These funds are also important components of debt capital, and it is sometimes expensive to obtain and maintain it. Excessive cost of managing debt capital can lead to a loss of company liquidity. While insufficient level will force the allocation of part of own funds for the current payment needs, and this may lead to increasing the cost of the unused potential. At the same time, a high share of loans in financing the activity may show that lenders assess the activity (investment) well. This allows the company to spread the risk over lenders. When a lender is threatened with bankruptcy, he is motivated to actively join in the company recovery programme.

2.3. Activity in the market

Another distinguishing feature of the company is often its activity in the market. This characteristic is independent of the size, although there may be correlation between these two characteristics. It often happens that companies with relatively small assets can achieve high revenues through the intensive use of their assets and high flow efficiency in the logistics chain which they participate in. It is important to have a proper structure of assets consisting of necessary components to conduct activity and outsource.

A streamlined company can focus on its core business area and pursue its strategic objectives. Such a company allows you to improve efficiency, which contributes to the better use of assets and to reducing costs. The simplest measurement of company activity is value of its income in relative terms. It can be measured either on the basis of the profit and loss account, then it is relatively easy to determine value of its revenues or based on the cash flow statement, which will be more precise. We must remember, however, that this value is the book value, which slightly deviates from the

actual cash inflows due to the fact that the accounting method is based on certain standards, and these may change or may be different in different areas.

2.4. Access to resources

Possession of rare goods is also a potential giving the company a chance of achieving success. Rare goods may include unique technologies, licenses or concessions. Unique technologies allow a company to fill a market niche or to compete more effectively in the market. In fact, the uniqueness of the technology can be used to improve the quality of production (services) or to create a substitute. Having a license or trademark is also a potential. In recent years, sales of licenses or trademark has become quite a common type of market expansion. A number of franchising contracts is growing, and many companies in many industries have become global corporations thanks to using their trademark. Having a state license to operate a business is often an important resource. Possession and distribution of concession is closely associated with the policy of the state where the company operates. The government can limit or even prevent the entry into specific sectors or restrict access to raw materials. The examples include state-regulated sectors such as road transport, railways, freight forwarding, and sale of alcoholic beverages. Less visible limitation of the entry by the state may result from the use of instruments such as air and water quality standards, safety regulations and product performance. For example, the requirements for the reduction of environment pollution may result in an increase in capital necessary for the entry, for achieving the required level of technology refinement and even for building devices of optimal size.

2.5. Intellectual capital

Competencies, abilities (capabilities), learning skills and knowledge are of key importance in gaining competitive advantage. For this reason, it is important for a company to properly manage human capital and knowledge (Kowalska, 2009: 145-146). The main objective of managing knowledge is a better use of employees' knowledge for the benefit of the company. Employees' knowledge is part of the company's intellectual capital, recognized as a measure of evaluating and increasing intangible assets. Intellectual capital is also the individual characteristics (employee's abilities), as well as the level of education. As it is difficult to measure both of these features, the usefulness of an employee in a particular position will be the common denominator. As for every position a person with different characteristics is expected, we can surely say that education as well as appropriate qualities

allow the company to reduce costs by a so-called learning curve. The learning curve or so-called experience curve is a reduction in unit costs as the company (employees) gains more and more experience in manufacturing a product. Costs decrease because employees improve working methods, become more efficient, arrangement of devices is improved, specialized equipment is developed; the manufacturing process, techniques of measurement and control of operations are improved, and also, changes facilitating production are made in the product structure.

Experience is a name of only certain kinds of technological changes and may refer not only to production but also to distribution, logistics, or other functions. As in the case of economies of scale, costs are reduced and experience increases not only in the entire company, but also in the various operations or functions that constitute the company.

Experience of an employee and his or her individual qualities are unquestionable advantage of every employee, but steady progress and development of the field of logistics has led to the emergence of the profession of “logistician”. The specific character of this profession results from an increase in the service nature of the supply chain and the need for managers and employees to make a joint effort. Logisticians’ activities cannot be limited to striving to achieve high reliability of action, but through their knowledge and skills they should ensure, inter alia: willingness to provide services, as well as understanding and knowledge of customer needs. That service-related attitude of logisticians introduces new logistics qualification standards, and in particular (Kisperska-Moroń, 2009: 183-185):

- good communication skills,
- exceptional adaptability,
- abilities of critical consideration of opportunities and better ways of performing tasks,
- the ability to make accurate decisions,
- establishing professional relationships,
- sensitivity to corporate culture.

Managers managing logistics processes as well as regular employees should constantly develop their skills, becoming part of a learning organization.

All of these features make the potential of the company. It may be difficult to measure these qualities, as a number of econometric methods have to be often used. In addition, the importance of these qualities itself is a subjective matter, and depending on the strategy adopted, different characteristics can be taken into account. These are the features that the company may acquire or reduce their value. However, regardless of the classification of these characteristics creating the potential, it is only a chance of

success. Whether it is used or not, it depends not only on the quality of these features, but on people managing this potential.

3. Factors related to the state policy affecting the state competitiveness

3.1. Transport policy

External factors, independent of the company and resulting from the state policy, are also important for the company competitiveness. For TSL companies, the transport policy is important, which is part of the state economic policy. It is about ensuring the harmonization of the conditions of individual transport branches competition, and primarily issues related to (Mindur, 2008: 480):

- the integrated system of management of infrastructure objects of different branches of transport,
- the system of financing the modernization and development of the entire transport infrastructure,
- structures of the transport companies organization,
- unifying technical and social standards for the whole transport
- developing modern and efficient transport systems covering all the European Union countries.

The transport policy of the country forecasts the total amount of funds of approximately EUR 26 billion in 2007-2013. About EUR 19 billion is from the budget of the Community, and the remaining amount of approx. EUR 7 billion represents the share of domestic public funds.

The European Union countries establish the common transport policy. The EU transport policy focuses on those objectives that promote EU integration, liberalization of the transport services market within the union, environment protection, ensuring safety of traffic and transportation, and guaranteeing equal treatment of its carriers and freight forwarders in relations with third countries. In 2007, the European Commission modified the assumptions of the transport policy, amending the provisions of the White Paper. The concept of co-modality was introduced, involving the efficient use of different means of transport on their own and in cooperation with others in order to use resources optimally and sustainably.

The competitiveness of transport, freight forwarding and logistics companies is also influenced by the following external factors resulting from the state policy:

- regional policy,
- state's legislative activity and its fiscal policy.

3.2. Regional policy

The regional policy of the state aims at maintaining the integrity of the state and a better use of its potential in the regions.

Transport accessibility is one of the key measures for assessing the transport system in spatial terms. It results mostly from the geographical location of regions and transport infrastructure. Transport accessibility also affects the relative benefits of the region, associated with the decisions taken in terms of location.

The regional policy of a given country is synchronized with the EU regional policy, which aims to reduce disparities between the levels of economic, social and spatial development, and thereby to increase the coherence between different regions of the European Union. It is a condition of the Community's economic potential and competitiveness.

The EU regional policy has three priority objectives:

- Objective 1: promoting the adaptation of structural regions whose development is retarded.
- Objective 2: supporting the economic and social conversion of areas facing structural problems.
- Objective 3: supporting the adaptation and modernization of policies and systems of education and employment outside the area of the Objective 1.

The main financial instruments of the European regional policy are the Structural Funds and the Cohesion Fund. The European Regional Development Fund (ERDF), the Cohesion Fund (CF) and ISPA have the largest share in financing the transport infrastructure development. The European Regional Development Fund is used to finance activities in the following fields: the development of infrastructure investments that create new jobs, the implementation of local development projects and support for small businesses. The Cohesion Fund includes national help rather than regional. The Cohesion Fund finances major projects in transport infrastructure and the environment protection (worth 10 million euros).

The ISPA programme was created based on the Cohesion Fund. The programme supports investments in environmental protection and transport. The amount of co-financing by the ISPA Fund depends on the resultant socio-economic parameters. The Fund may be involved in projects with a maximum height and with 75% of public expenditure. In justified cases, the European Commission has the right to raise its share in funding the project. In order to improve the efficiency of funds directed to less developed regions, more resources are concentrated on the Objective 1.

3.3. The state's legislative activity and fiscal policy

Legal conditions of company competitiveness in the market of transport services relate to compliance with the principle of doing business by individual entities. They may be a legal permission for state's protective or liberal activities, stimulating competitive carriers or freight forwarders in the market. Companies in the country feel the legal instability resulting from two barriers, namely: the lawmaking process and the exercise of rights by the state. The lawmaking process may be demonstrated by:

- instability of legal regulations, frequent change in rules preventing the anticipation and planning of activity,
- ambiguity of regulations – frequent amendments to legislation and the subsequent changes in regulations,
- vacatio legis – the employer leaves too short a period to familiarize with the new legal solutions,
- the freedom to undertake economic activity – a tendency to introduce administrative restrictions can be observed.

The barriers listed in the lawmaking process may affect the process of executing the law and become barriers to the development of companies.

National conditions for companies in the field of transport comply with EU regulations, technical regulations, standards and administrative recommendations do not create barriers to the free movement and development of transport services in the European Union.

As regards the fiscal policy, the state may stimulate the development of companies mainly by:

1. Lowering taxes imposed on natural and legal persons and simultaneously simplifying the tax system.
2. Reducing social security contributions and other payroll burdens.
3. Developing legal solutions stimulating the mobilization of capital for investment.
4. Supporting closed investment funds organizationally and financially at the regional level.

In Poland, a natural or legal person can conduct economic activity. The choice of the form of business results in different tax consequences. There are significant differences in the tax burden between natural and legal persons. Despite this diversity of tax rates, burdens for employers and employees are among the highest in Europe. Perhaps this is due to the fact that taxes of all kinds are an important source of revenue to the state budget and are an important instrument of the state policy towards companies and citizens. Within the fiscal policy, the state can introduce all sorts of subsidies and grants and tax exemptions that are an element supporting the company.

Most often they involve entire industries or branches. However, there are exceptions which make it possible to gain an advantage over a competitor not taking advantage of such privileges.

The competitiveness of Polish companies is therefore dependent on activities of entrepreneurs but not only. The socio – economic system is a closed system, failures in the social area cause effects in the economic area, and vice versa. Increasing competitiveness in the economic area is therefore in the interest of all of us. It is about the internal market, which in the era of globalization and ever faster flow of information becomes tight and in order to remain competitive, it is necessary to take steps towards greater openness to the world.

Conclusions

Transport, freight forwarding and logistics companies are dynamically developing in the Polish and international market. This development can be manifested by high growth rate of motor transport, the expansion of courier service companies, development of the road and rail infrastructure, the implementation of information technology, and the improvement of customer service. The growth rate of this development is shaped by a competitiveness factor and companies' ability to compete in the market. The main market factors are product price, quality and services. They determine the competitive advantage of a company or sector in the market. Non-market factors determine the competitiveness potential and competition position. Internal, non-market factors determine the company's potential.

The evaluation of the company's potential is sometimes difficult, and its size is a subjective matter. The potential of the company determines a chance of success, and its use depends on those who manage this potential. The state policy is a non-market factor of competitiveness determining mainly the survival of companies in the market and is an instrument of competition.

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