

EVALUATING LOGISTICAL CHAIN IN SLOVENIAN COMPANIES

Bruno ZAVRŠNIK, Ph.D.

University of Maribor

Faculty of Economics and Business, Maribor

Razlagova 20, 2000 Maribor, Slovenia

Telephone: +386 2 22 90 292

E-mail: bruno.zavrsnik@uni-mb.si

Abstract

The current market situation, followed by fast growing globalization's effects has been constantly searching for new approaches in modeling and managing transport-logistics chains. These are approaches where all determinants for efficient and effective management of ever complex supply chains have been properly set and exploited.

This paper focuses on logistics performance of industrial firms in the Slovenian market. Our research explored the current attitudes of managers in the logistic industry. Specifically, we examined their perception of different characteristics of a logistics provider and their evaluation in the process of outsourcing. There are few logistics functions that have been outsourced. Outsourcing is a dynamic process that should evolve with changes in the company's business needs, internal capabilities, and competitive environment.

The authors will intend to answer the following question in the research: Which indicators do customers use to evaluate their suppliers? It would be expected that in purchase decision processes, customers give strong consideration to the resources and the competence of the supplier as criteria to provide higher quality and more reliable and efficient transportation of goods. Therefore, the service provider must ensure complete execution of all logistics and related activities.

Keywords: logistical services, outsourcing, logistical provider, logistics

1. INTRODUCTION

Operating conditions in logistic industry with the accession to European Union change considerably. Slovenia has already joined to European Union, but also other transition countries in the Former Yugoslavian countries will face the time of accession to the European common market. Therefore, for companies operating in those markets primary goal is to extensively prepare for the new business environment.

Competition among logistical companies is increasing because of these changing market conditions in the Former Yugoslavian countries. Slovenian logistical companies are adapting to new common European market. They are reacting to strong competition in logistics industry by becoming more involved in the supplier selection process, by outsourcing logistical services and by becoming more critical, detailed, and comparative in their supplier evaluation. Logistics companies in Former Yugoslavian countries are adapting to development guidelines at various levels. Like Mentzer, Myers, Cheung (2004)

argued logistics offerings are subject to differences across countries. Logistics service expectations differ across national and cultural boundaries, enhanced personal interaction frequently occurs in service settings, and service use patterns frequently differ across countries as well as more traditional influences such as timeliness and responsiveness.

2. LITERATURE REVIEW

The basic concept of outsourcing is unambiguous: It involves choosing a third party or outside vendor to perform a function or tasks supporting that function in order to incur business benefits. The outsourcing arrangements can be grouped into four categories: out-tasking; co-managed services, managed services and full outsourcing, also known as business process outsourcing (Sanders, Locke, 2005).

As recently as a decade ago, 3PL was an emerging industry in many parts of the world. However, the rate at which use of these services grew, the rate of growth across functions and the reasons for this growth differed in different parts of the world. In Europe, firms tend to use 3PL both for international transport and for the distribution of products in foreign markets (Carballosa, and Tarre's, 2011; Manuj, and Sahin, 2011). Nearly two-thirds of the European distribution centres used by American, Japanese, Korean and Taiwanese manufacturers are managed by 3PL providers (McKinnon, 1999). 3PLs helped firms deal with multinational transportation requirements and inconsistencies (Wieland and Wallenburg, 2012).

Mentzer, Myers and Cheung (2004, 15) found out that logistics services have become a significant source of competitive differentiation between firms. »Diverse regulations across borders, longer lead times, and increased transportation costs all add to the difficulty of managing logistics services internationally. As a service offering, logistics is often characterized by intensive customer contact, extensive customization requirements, and a reliance on extrinsic cues for service performance. Because of these qualities, logistics services are also subject to cultural influences that exist in cross-border trade«. In the case Balkans countries exists several differences (religious and cultural issues, trade regulations, shipping distances, and cross-currency issues etc.) between them and as a result we found different research results. And as further Mentzer, Myers and Cheung (2004, 15) suggested that identifying specific customer segments, some which may transcend national borders, logistics managers can benefit from reduced costs, enhanced revenue, and the ability to differentiate their offering from the highly competitive marketplace.

The buying behavior literature suggests that the importance of particular purchase makes a difference in terms of the buying process. A purchase can be important for the firm for several reasons. Purchased service attributes can be differentiate based on whether they are standard or nonstandard, simple or complex and have a standard or a novel application. Purchases involving large expenditures, difficult to obtain items, or irreplaceable supplies are very important or "strategic" buys (Maltz and Ellram, 2000). We are agree that purchasing industrial services, like logistical services, is a time-consuming, complex, and expensive activity.

Which indicators customers use to evaluate their suppliers? We would expect that in their purchase decision processes, customers would give strong consideration to the resources and the competence of the supplier as the means necessary to provide higher quality, more reliable and more efficient transport of goods; therefore, the service provider must ensure a complete execution of all logistics and related activities. Vaidyanathan

(2005, 93) argued that logistics managers consider information technology, quality, cost, services, performance and intangibles as important factors in selecting logistics providers.

One of the major challenges of services marketers is the assessment of the quality of service offerings. Because of the general nature of services (i.e. intangibility, inseparability, heterogeneity, and perishability), service quality is usually difficult for customers to evaluate (Palmer and O'Neill, 2003).

As Svensson (2002, 426) said »altogether, marketing activities and logistics activities may be seen as a chain of interdependent activities that complement each other in order to facilitate the exchange.«

3. EMPIRICAL FINDINGS

3.1. Company profile

The main research instrument for empirical investigation, e.g. a questionnaire, was developed on the derived theoretical basis. The covering letters with questionnaires were mailed to the corporate directors of 150 the biggest Slovenian enterprises. We choose the strata based on the annual net profit. During the four-week period following the mailing, a total of 37 responses were received and that gave the response rate of 24,7%. The results present in this paper are related to the sample of 37 respondents.

The relevant data of the companies were provided mainly by members of the managing boards (70,3% of cases). Other respondents appeared in not more than three companies.

Table 1: Position of respondents in the companies

Position in the company	Frequency	Percent (%)
Members of the managing board	26	70,3
Head executive	4	10,8
Counselling specialist	2	5,4
Business consultant	2	5,4
Other	3	8,1
Total	37	100,0

The companies included in the sample are distributed according to industries (see Table 2).

Table 2: Distribution of the companies in the sample according to industries

Industry	Frequency	Percent (%)
Production of industrial products	11	29,7
Trade	9	24,3
Production of consumer products	6	16,2
Business services	6	16,2
Services for final consumer	5	13,5
Total	37	100,0

3.2 Market characteristics and business strategies of entrance on foreign markets

Then respondents in the surveyed companies were asked about their largest sales geographic region. The respondents had the possibility to choose among different answers. The results show that the largest respondent sales market is Slovenia, followed by markets of former Yugoslavian countries. The next large sales market is the market of EU countries, followed by the market of East Europe.

Table 3: Respondents largest sales geographic region

Geographic region	Frequency	(%)
Slovenia	36	97,3
Former Yugoslavian countries	27	73,0
EU	25	67,6
East Europe	25	67,6
CEFTA	22	59,5
USA	12	32,4
Pacific - Asia	10	27,0
Australia and New Zealand	9	24,3
Japan	8	21,6
Africa	8	21,6
Latin and Middle America	6	16,2

The presented research findings in the continuation relate to the above-stated sample of companies.

One of the main issues of research was to explore the business strategy of entry in the new market in the sample of Slovenian companies. With the growth of international trade, an increasingly diverse array of products of different national origins is now available in many countries throughout the world. This has resulted in greater interest in examining the primarily business strategy of entry in the foreign markets. The respondents had the possibility to choose among different answers. The data analysis shows that the most often planned business strategy in the sample of Slovenian companies were the strategy of market development (76,3%) and the strategy of new product development (73,7%). Opening the own company's subsidiary in the foreign market (50,0%) was the next most often used business strategy, following by outsourcing (42,1%), the strategic alliances with other companies appeared in 39,5 percent of cases while alliances with companies of raw materials appeared in 31,6 percent of respondents. The less often used business strategy for the entry in the foreign market was by respondents the licence agreement (13,2%).

Table 4: Business strategies used for entry in the foreign markets

Business strategy	Frequency	Percent (%)
Market development	29	76,3
Product/service development	28	73,7
Opening of company's own subsidiary in the foreign market	19	50,0
Outsourcing	16	42,1
The entrance on foreign market with alliances	15	39,5
The strategy of alliances with companies of raw materials	12	31,6
Licence agreement	5	13,2

3.3 The overview of logistics in Slovenian companies

In our research we were interesting if Slovenian companies are planning, executing and control the whole logistical chain. The 78,4 percent of respondents answer in the affirmative, while the remaining 21,6 percent of respondent answer in the negative. Results show that respondents are aware of managing the entire logistical function.

Table 5: The indicators to evaluate logistics suppliers

The indicators to evaluate logistics suppliers	Frequency	Percent (%)
Competitive price and payments conditions	26	68,4%
Adequate quality of logistical services	23	60,5%
On-time delivery	21	55,3%
Reliability of offered logistical services	17	44,7%
Technical equipment and ability to manage the entire logistical function	12	31,6%
The full service of logistics and connected services	10	26,3%
The speed of delivery	7	18,4%
The size of logistics provider	1	2,6%

One of the objectives of the paper was to explore which indicators customers use to evaluate their suppliers. Respondents had the possibility to choose among different answers. Results show (see Table 5) that the competitive prices and payments conditions were by respondents the important factors in selecting logistics providers (68,4%). The research suggests that respondents are given more importance to following factors in choosing logistics provider: adequate quality of logistical services (60,5%), on-time delivery (55,3%) and reliability of logistical services offered (44,7%). Managers also consider technical equipment and ability to manage the entire logistical function, the full service of logistics and connected service and the speed of delivery as important factors in selecting logistics providers. From results, it appears that firm characteristics (such as the size of logistics provider) influence the choice of logistics providers.

Purchasing industrial products and services is a time-consuming, complex, and expensive activity. To properly understand organizational buying we must be knowledgeable about the business buying centre concept. One way to view a buying centre

is to categorize members which decide of purchases. It is useful to consider the various people within an organization who might be called upon to contribute to a purchasing decision. One individual or a group of individuals may perform different roles; he can act as initiator, gatekeeper, influencer, decider, user or buyer (Mahin 1991).

The results show that the purchase department is usually taking the buying decision (55,3%), followed by the logistics department (47,4%) and sales department or marketing department (36,8%). Directors are also taking buying decisions (28,9%). Respondents had the possibility to choose among different answers.

Table 6: Department taking a buying decision

Department	Frequency	(%)
Purchase department	21	55,3%
Logistics department	18	47,4%
Sales department/Marketing department	14	36,8%
Director/President of the Managing Board	11	28,9%
Managing Board	1	2,6%
Finance department	1	2,6%

The data in Table 7 indicate the percentage of different logistics activities outsourced by responding organizations. Approximately one-third of the responding organizations outsource either two or three logistics activities, while fewer than 10 percent of the responding organizations outsource one logistics activities. The most frequently outsourced activity (92,1 percent of respondents) is “road transport”, followed by “customs broking” (44,7 percent of respondents) and “distribution” (39,5 percent of respondents). In 18,4 percent of cases, Slovenian respondents outsourced “warehousing”, while product marking, labelling and packaging is outsourced by 13,2 percent of respondents.

Table 7: The most often outsourced logistical services by Slovenian companies

Outsourced logistical activities	Frequency	(%)
Road transport	35	92,1%
Customs broking	17	44,7%
Distribution	15	39,5%
Warehousing	7	18,4%
Product marking, labelling, and packaging	5	13,2%

4. CONCLUSION

This paper also expands previous research on logistics functional processes and logistics outsourcing on the Slovenian market.

There are several implications of these findings for logistics management. Results indicate that have different business strategies of entrance on foreign markets across countries can contributed to the development of different marketing strategies for those market segments. And also, the effectiveness of entire logistical function depends upon which logistics provider use. The logistics marketplace is highly competitive, and thus

suggests that managers are involved in selection of logistics provider. Furthermore, outsourcing plays an essential role in the logistics industry. The survey identified the following as significant outsourcing functions: road transport, customs broking, distribution, warehousing, product marking, labelling, and packaging.

Because of the differences across companies in selected business strategy in foreign market entry, we conclude that managers should develop different marketing strategies for entrance on foreign markets across industries. A better understanding of entire logistics function from the planning, through implementation and control in the sample of Slovenian companies, would contribute to business organizations in the field of logistic industry.

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