

## **KNOWLEDGE AND QUALITY OF LOGISTICS SERVICE PROVIDERS**

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**Abstract:** This topic is extremely complex and extensive, but definitely worth starting a broad discussion. The following paper will try to present many different reflections on the true nature of modern supply chains as well as diverse evaluation methods of their operation. What is more, particular attention will be paid to the issue of logistics service providers with regards to the real quality they provide compared to the level of knowledge they should possess in the creation and execution of supply chains.

**Key words:** transport, tourism, quality, service

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### **INTRODUCTION**

This topic is extremely complex and extensive, but definitely worth starting a broad discussion. The following paper will try to present many different reflections on the true nature of modern supply chains as well as diverse evaluation methods of their operation. What is more, particular attention will be paid to the issue of logistics service providers with regards to the real quality they provide compared to the level of knowledge they should possess in the creation and execution of supply chains.

### **THE ESSENCE OF THE SUPPLY CHAIN**

Speaking of the supply chain it should be noted that there is a large number of its definitions in the literature. Therefore, the following paper chooses to define the supply chain as the network flow, from first suppliers to final consumers. This includes movements in the area of procurement, production, distribution along with other flows related to customer service, research activities, development, marketing, etc. (Baraniecka, 2004). Among different things that are subject to exchange in the processes of movements and flows there are raw materials, finished products, information or money (Ciesielski, 1999).

Given the spatial scope of the supply chains the following types can be distinguished:

- Local chains: the activities of operators in this area generally come down to providing transportation services of delivering goods. Manufacturers or commercial companies order different goods delivery from or to the final recipient. Spedpol company for instance is an entity that subcontracts logistics operators to supply the shipment to or from the customer. What is more, in the latter case, the operator also performs financial

services as he is responsible for collecting relevant charges from the consignee for the shipment he receives. The most popular type of transportation in this market is the road transportation.

- Interregional chains (domestic): these markets show, as confirmed by scientific research, that logistics operators perform also other than simple transportation services such as handling, financial, storage and information services. This is caused by the fact that not only is this market very extensive and vast when compared to the local market but also it lies on the verge of another, international market. A large part of raw materials and products imported by the customer goes to the logistic warehouses first and afterwards it is transported to the final consumer at an exact time and date, as specified in the instructions given. Furthermore, when the manufacturer is located in the south of Poland for example and he is planning to deliver products to customers in the north of the country, then a number of logistical operations are subcontracted to the logistics provider since he has a better knowledge and recognition of the market. In this market, operators in Poland, not only decide to use road transport, but rail and inland waterway transport are quite popular as well.

- International chains: logistics operators of these markets have the entire package of their services for both export and import customers – beginning with providing any kind of transportation type, through storage, sorting, loading and financial services or even handling the customs clearance. In this market, logistics operators use all modes of transport. Generally, it is clear that logistics operators, managing the supply chains on behalf of their clients use various forms of transport, depending on the nature of the market, where the process of movement is executed. Among a series of actions that take place in this market the most common ones provided are such as warehousing, sorting, reloading and handling financial services. This means that logistics operators must have their own facilities suitable for warehousing and storing goods or at least have an appropriate technical infrastructure that could guarantee the implementation of all the needs reported by their clients.

### **TRENDS IN THE FUNCTIONING OF MODERN SUPPLY CHAINS**

Generally, it should be noted that due to the tendency of cost reduction, new organizational forms in the execution of supply chains can be observed. Undoubtedly, nowadays many manufacturing, trading and service companies in Europe, have the tendency to search for opportunities leading to reduction of their costs and thus improving their competitive position in the market. This is caused primarily by the fact that most customers are looking for goods and services that combine the features of high quality and reasonable prices, while on the other hand, manufacturing firms wanting to stay in business must seek solutions and ideas helping them to lower their costs. It is a requirement of modern economic market, where all logistics management systems had already been implemented, irrespective of the market structure. Furthermore, the current market conditions as well as economic situation in the world only prove the aforementioned rule right, making it an official trend in the supply chains. Within different organizational forms such can be distinguished:

- Partnership forms of supply chains execution,
- Complex forms of supply chains execution.

When discussing the first form, it should be noted that it results from the use of different types of business rules for outsourcing. This generally involves purchasing different types of services from an external company, since this way is cheaper than performing the same services on one's own (for example transport, storing and sorting services as well as customs services). Therefore, following this approach, many manufacturing or business companies look for suitable partners, that could meet their specified requirements. However, this is not such a simple business practice as it may

seem, because there has to be a strong bond between contracting parties, since a lot of confidential information from both companies is involved while performing different operations of the supply chains. During the whole cooperation process it is necessary to analyze the results and take some actions in order to monitor, evaluate or even modify the potential. The main objective is to determine whether the relationship is beneficial and what procedures should be adopted in case any problems may occur.

Speaking of this form of supply chain execution, which also finds its confirmation in practice, it is clear that it occurs mostly among very large businesses of the European area. This means that large commercial and production companies are looking for large logistics operators, (or road transport companies), which together can implement specific economic tasks. It is clear that small companies or small road transport logistics providers (freight forwarding companies) will have little chance to engage in large partnerships. The process of creating large partnerships is becoming more and more common in the European economy and the world today.

What needs to be taken into account when discussing the form of supply chain execution is the fact that at the point where manufacturing, commercial and service companies meet the logistics provider, there are many ways to reduce costs for both of the contracting parties. The introduction of a new model of very complex logistics services could contribute to such cost reduction in a great way. It should be noted that this is not a new concept in the literature but relatively rarely used in practice. The assumptions of this concept are:

- a single company can be operated by up to three logistics providers, depending on the volume of production, however, most often there is only one logistics provider;
- logistics provider takes over many different functions of a transportation department in a company;
- logistics provider is responsible for planning, introducing and controlling of the whole implementation process of the order;
- it is the manufacturing plant's duty to create a product and prepare it for shipment;
- logistics operator can also proactively participate in the very first stages of the preparation of the production process or other business activities since staying in touch with the customer or supplier enables creating a perfect process in terms of saving time.

Providing the correctness of the aforementioned assumptions, cooperation between logistics providers and manufacturing, commercial or even service companies should be as follows:

- The company chooses, depending on the scale of its transport needs either one, two, or three operators. It means that it creates only the essential group, without any back-up one. Afterwards, one or all of the logistics operators are obliged to provide all services needed and fulfil all requirements given. According to this system the company does not need to have its own forwarding and transportation department because all of these activities, as discussed in the previous scheme, will be performed by the chosen group of operators. This is the part where a significant reduction of costs may occur. Furthermore, logistics operators through keeping reliable and regular contacts with collaborating companies build strong bonds with them, which allow them to deliver their shipments from or to their customer on time. What is more, it is not necessary for logistics operators to wait for the information from the manufacturer whether there is an order to be picked up which makes the mode of transport available for the operator at all times. Furthermore, since the operator has full knowledge of his fleet as well as, the deliveries he needs to execute, he can freely manage all these tasks by himself. This solution gives everyone in the logistics business full confidence and convenience. Logistic operators are able to contact the production departments of collaborating companies directly. This way they are provided with a full set of information they need, such as the

type of production or kind of transportation required. In addition, logistics operators constantly staying in touch with their clients by providing them with regular deliveries to or from them, have an excellent possibility to get to know the volume of their transportation demands better as well as have a chance to obtain information about their future tendencies. The aforementioned only proves the importance of logistic operators who become an essential link between different types of businesses, customers, and suppliers in the supply chain execution. This logistic model of cooperating with enterprises is being implemented by many different companies. First results of the analysis show that the model brings benefits in terms of cost reduction and thus contributes to obtain better economic effects. It should also be noted that this model of cooperation on the market today is best for large logistics operators, who are provided with technical, organizational and financial background. They are able to meet the demands of customers and what is more, they are able to effectively compete in the market.

It can be assumed, however with a high degree of probability, that these logistics systems (supply chains) will continue to grow dynamically. There is currently no indication that something could prevent this model from expanding. The processes of creating partnerships among various companies in the logistics market as well as moving towards the construction of complex forms of service companies have already begun and it looks like they will keep on going in the future. The European Union countries along with other European and Asian countries have already set up a supply chain where all members participate in transportation of raw materials, finished goods, industrial products and food from Asia to Europe, from European Union to Asia, Kazakhstan or Russia.

Creating these supply chains seems like an optimal solution for today's economic systems in Europe and Asia in terms of cost efficiency. It seems that this trend will not only become very popular among the EU as well not affiliated with the union countries but it will also become more common in Asia. It is worth mentioning that China has recently acceded to the TIR system which means that it will gradually become more involved in land supply chains. When choosing this direction it should be noted that road transport is still number one among all the supply chains. It is worth mentioning that over the past ten years the share of the transport sector in the transportation of cargo has increased in the EU countries, including Poland, from around 40% to almost 80 percent in comparison to other transport modes. Of course, this phenomenon can be analyzed from different points of view by saying that this form of transport is very expensive and not environmentally friendly, but in terms of economic effects for all types of businesses, it seems very effective.

A major problem of modern supply chains is to assess the quality of their functioning. You can accept criteria such as profitability or percentage of cost reduction in a competitive market, which are measurable criteria. You can also talk about customer satisfaction, customer service quality but as an additional criteria for the same logistic satisfaction.

We must accept that the quality of the establishment and operation of supply chains largely depends on the quality of staff employed in the logistic field. The staff creates a level of quality of supply chains while supply networks in practice determine the competitiveness of the product. This problem is very difficult and complex in the Polish market and therefore needs to be considered and discussed since the issue of supply chains' sector is of a great importance to the economy of our country.

### **HUMAN RESOURCES AND QUALITY OF THE LOGISTIC OPERATION**

An important element of logistic infrastructure, creating the conditions for the establishment and operation of supply chains is the potential of skilled workers. About this issue, relatively little is said in the literature. This is an extremely important issue

determining the quality of the development of logistic supply chains, and their operation as well as the introduction of the universal principles of logistics for the operation of various enterprises. The observation and analysis of the operation of logistic providers in Poland only proves that this is a significant issue affecting the quality of logistics services.

According to the studies carried out by author in more than 80% of road transportation companies, logistics service providers do not have an adequate training as well as are not equipped with any certificates as a result of finished courses passed in this field. More importantly, the studies also proved that unfortunately, most of them do not show any interest in improving their skills either in the short or long term. A similar problem also occurs in other companies, which proactively take part in these chains. We must also analyze the case from another point of view, looking at the problem through the owner's or management's eyes. One can assume that employing highly skilled professionals in the logistics field is quite a cost, which in current, very difficult market conditions, may not be acceptable for most of these companies.

Therefore very often these companies employ people with weak skills at a lower cost, hoping that the personnel gains experience through practice in the course of their everyday duties without burdening the company's finances. Logistics operators, however, received quality support from road transportation units, who took some actions to increase knowledge about the rules of transport in the market today. Transportation companies in Poland, being in the possession of cars over 3,5 dmc, must obtain licenses which can be received only after passing a state exam verifying one's knowledge of economic, technological, legal and organizational issues of the road transport. Therefore thanks to increased knowledge among logistics operators there is a chance that supply chains will be executed with greater precision. What needs to be stressed is that logistic operator is not a forwarder, which unfortunately very often gets confused by many. According to the author, such confusion is caused by the low level of knowledge of logistics systems, supply chains and supply networks today. The lack of professional staff is a major factor hampering the use of logistics in creating competitive supply chains and its widespread introduction into the business. It seems that in this problem we must pay attention not only to the training of postgraduate logisticians but to the common teaching practice in schools, high school and colleges. Analyzing the problem of training logisticians in Poland it should be noted that there are just a few leading universities providing very high level of knowledge in this area. Unfortunately, most schools in Poland offer very poor level of knowledge about logistics, especially in terms of practical information in comparison to theory. Very often the presented knowledge is not adequate or complete. It is just a set of general information, economic facts, transportation theories and only very little attention is paid to the logistics itself. The needs of a modern economy as well as the future needs of the economic system very clearly indicate that such preparation is not enough. We must realize that logistic providers have to be fitted with such elements of theoretical and practical knowledge as: the current political system, technology of shipping cargo, foreign exchange market, taxation, transportation technology and good knowledge of at least one foreign language. Although the expectations might be very high there is no other way to effectively develop and implement supply chains.

### **CONCLUSION**

Overall, it is clear that the problem of knowledge in the functioning of logistics is an extremely important issue in today's market. It can be assumed that the higher the level of knowledge about logistics:

- a) the better the chances of all entities involved in the transportation, forwarding and logistics sector;
- b) the better perspectives of broadening their participation in the market;
- c) the greater competition with foreign operators.

Therefore, nowadays the major challenge is to create such an educational system that could train logisticians at all kinds of levels, thus opening new possibilities and better prospects for the functioning of the polish companies in this sector.

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