LOGISTICS IN SERVICES VS. LOGISTIC SERVICES

Karolina PŁONECZKA, MA
Uniwersytet Ekonomiczny we Wrocławiu

Abstract

Nowadays, companies offer various logistics services to their customers. Diversity of these services is essential for business. The range of services that logistics companies cover depends on various factors; it can be solely transport, but can also be a complex service that includes organisation of raw materials delivery, warehousing, delivery of finished goods to customers and dealing with documents like invoices, waybills and others. The increasing popularity of logistics in services is noticeable. This is connected with global changes. This is a complex phenomenon that connects aspects and features of services and logistics. The three most important areas for logistics in services are: minimisation of waiting time, management of service potential and service delivery. The goal of this article is to reveal the difference between these two subjects and review the literature connected with them. The main conclusions are that logistics services can be seen as belonging to logistics in the services phenomenon. In every area of logistics in services, three phases can be distinguished: supply, production and sales. Germany has the leading position in Europe when it comes to the logistics services market. Dynamic changes in logistics have led to the development of a new classification of logistics enterprises. The European Commission is analysing changes in the sector in order to prepare new strategic objectives.

Key words: logistics, logistics services, services.

Introduction

Logistics plays a really important role in business and the proper functioning of every enterprise. Nowadays, more and more companies decide to entrust the logistics services to an external partner. The range of services that a logistics company covers depends on various factors; it can be solely transport, but it can be a complex service that includes organisation of raw materials delivery, warehousing, delivery of finished goods to customers and dealing with documents like invoices, waybills
and others\(^1\). This creates a new functioning environment for logistics companies that have to adapt and diversify to meet all customers’ needs.

Logistics in services is gaining in popularity, which can be easily noticed. This is a complex phenomenon that connects aspects and features of services and logistics. It creates a new area of logistics that some authors compare to distribution logistics. The three most important areas for logistics in services are: minimisation of waiting time, management of service potential and service delivery\(^2\). All of them play a crucial role in effective delivery of logistics in services and are equally important in creating a company that will be focused on this type of logistics.

Because of the given reasons, the main goal of this article is to show what logistics in services is and what its development tendencies are, give a brief description of various logistic services and main players on the European market, as well as make a comparison between these two areas and a short summary. It is necessary to be aware of the fact that logistics plays a crucial role in every enterprise and an increasing number of companies decide to entrust logistic services to an external partner. Literature study is a research method used for the purpose of this article.

**Logistics in services**

Service is a very wide concept that can be understood in many different ways. According to Ph. Kotler et al. service can be “any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to physical product.”\(^3\). In this definition, the absence of ownership is underlined. Another definition was proposed by C. Grönroos: “a service is an activity or series of activities of more or less intangible nature that normally, not necessarily take place in interaction between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”\(^4\). In this definition, all aspects of services management are included.

The American Council of Supply Chain Management Professionals (former Council of Logistics Management) defines logistics as a process of planning, implementing and controlling of efficient and effective flow of raw materials,
production materials, finished goods and related information between the point of origin and the point of consumption in order to meet customers’ requirements\(^5\).

Logistics in services is defined by B. Rzeczyński as a specific kind of distribution logistics with provision of work using various infrastructure systems (intellectual, technological, transport and others). It is focused on services and indicates the coordination process of all intangible activities that has to be carried out to perform the service in an effective way regarding the costs and according to the customer’s needs\(^6\).

The main direction of these activities covers three areas\(^7\):
1. Minimising waiting time.
3. Service delivery.

A commodity is associated with a physical product that can be seen and touched, in comparison to service that is more personalised and seen as a kind of action or activity. In today’s world, ‘pure’ commodities and ‘pure’ services exist very rarely and now these are goods supported by services or mainly services supported by goods\(^8\).

From an economic point of view, three types of services can be distinguished\(^9\):
1. Production services – activities carried out in the production process, but not the direct production of goods, and services provided for production facilities.
2. Consumption services – activities connected with satisfying directly or indirectly individual or collective human needs.
3. Social services – organisational activities with respect to national economy and the society as a whole, in terms of public administration, defence and public safety, justice, etc.

**Tasks of logistics in services**

Logistics management in services can be understood as the exercising and controlling of logistics processes that support provision of services\(^10\). The main tasks of logistics in services are planning, organising and controlling flows of goods, services and information\(^11\).

---


\(^7\) Ibidem.


The 7 rights rule is very important for these processes\(^\text{12}\):

1. Right Product - a company has to first know the kind of products that will be handled and transported; possession of the right knowledge will give it an advantage to properly and efficiently manage both time and resources.

2. Right Place – a company should have a systematic delivery system and tracking; moreover both customer and the service provider must have synchronised location tracking to ensure that the products are delivered to the right place.

3. Right Price – an appropriate price value is essential in order to track the company income and expenses.

4. Right Customer – the company should identify its target market and select the right customers.

5. Right Condition – every product or goods that are to be entrusted to the customers must be stored and delivered in the right conditions. This is where the specifications must be referred to in order to place it where the quality can be maintained.

6. Right Time – every service provider must know the right time to deliver the products and in a very efficient way.

7. Right Quantity – knowing and specifying the right quantity is essential for performing in the most effective way.

The 7R rule should be applied to all logistics processes that are present in the services sector, from ordering and supply of raw materials and choosing the right supplier, through supplies management and transport, to sales and customer service. E. Golembska, K. Tyc-Szmil and J. Brauer stated that all logistic processes in services can be shortened to three phases: supply, production and sales. It is underlined that the supply phase is strictly separated from production and sales phases, which can overlap each other\(^\text{13}\). Table 1 consists of examples of logistics process phases in services.

**Table 1**

<table>
<thead>
<tr>
<th>Services sector</th>
<th>Supply</th>
<th>Production</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking services</td>
<td>Transportation of monetary value</td>
<td>Opening of credit account</td>
<td>Taking a bank loan</td>
</tr>
<tr>
<td>Medical services</td>
<td>Delivery of medical supplies</td>
<td>Performing operations</td>
<td>Making a diagnosis, getting advice</td>
</tr>
<tr>
<td>Touristic services</td>
<td>Delivery of food and promotion materials</td>
<td>Hotel room reservation</td>
<td>Purchase of plane tickets, vacations, etc.</td>
</tr>
<tr>
<td>Telecommunication services</td>
<td>Transportation of spare parts and equipment</td>
<td>Network servicing</td>
<td>Call realisation</td>
</tr>
</tbody>
</table>


Areas of logistics in services

According to C. Grönroos, there are six management principles that can be applied to all services processes in an organisation. These are:

1. Business logic and determinants – the quality of services is determined by sales, all the decisions concerning effectiveness should be integrated.
2. Decision-making powers – should be located as close to the contact point with the customer as possible; only some decisions are centrally made.
3. Organisational structure – should function in such a way that it will support services activities, so a horizontal structure might be needed.
4. Supervisory control – managers should be concentrated on supporting the employees and limiting unnecessary procedures.
5. Reward system – should be based on quality of provided services and their compatibility with customer needs.
6. Measurement – satisfaction of the client has to be the central element of the performance measurement system.

All the above mentioned rules apply to logistics in services. They can serve as guidelines for the companies that provide such services, because they take into consideration all important aspects of doing business concentrated on providing services. Logistics in services is a very wide phenomenon that cannot be described as a whole. There are several areas that can be distinguished:

1. Logistics services for car transport of goods – these are services mostly concentrated on transportation goods from one point to another using a car as a mode of transportation, also sometimes subsidiary services like freight forwarding etc. This is the biggest branch in the services sector. The infrastructure is generally available, the cost of purchasing a vehicle is not high and operating costs are not excessive.

2. Logistics services of public transport – it is a part of city logistics that is seen in literature as an integrated system of planning, organising, directing and controlling of processing of physical circulation of goods and their informational conditioning, in terms of optimising current goals and activities. The main goal of city logistics is controlling all flows of resources in the city area and between its subsystems, which should be done in a sustainable manner and fulfill the requirements of city users.

3. Logistics in tourism – there are many aspects that are common for logistics and tourism, e.g. customer service, warehousing, transportation; logistics management on the touristic market is based on the creation of chain links between companies that deliver touristic services over a longer period of time.

---

17 G. Biesok (ed.), *Logistyka usług*, Wydawnictwo CeDeWu, Warszawa 2013, p. 82.


4. Logistics of catering services – catering services can be divided into: basic services – preparing the meals and delivering them to customers; cultural and entertainment services – these are bounded to basic services, and include aesthetic services, proper customer service, etc.; complementary services – sale of takeaway dishes, delivery of dishes to the customer, etc.\(^\text{19}\)

5. Logistics of mass events – logistic management for mass events can be seen as a decision process, which aims at creating the overall concept of logistics activities. The main subjects of these decisions are: location of mass event, placement of objects and audience, transportation, inventory, customer service and information flow\(^\text{20}\).

   All of the above mentioned areas are very complex and require an individual approach, but the common principles can be applied to all of them to perform the logistics tasks in the best possible way. As can be seen, logistics in services is a phenomenon that has many different aspects that should be analysed individually. What is more, logistics in services plays a really important role, because proper functioning of many businesses depends on it.

**Logistic services**

Nowadays, companies decide to buy on the market all or some logistics services, this is connected with optimisation of supply and distribution systems. It allows the companies to focus on their primary activities and, at the same time, can result in cost reduction and quality improvement. The logistics services offered to companies are customised to fulfill all the expectations of the client and, at the same time, to help the logistics company gain a competitive advantage on the market.

The basic logistics service offered by transport companies is transport from one point to another, where loading and unloading is the responsibility of seller and buyer. On a customer’s demand, the transport company can cover these activities as well as submit the goods for custom clearance, fulfilling the shipping documents in the customer’s name and consolidation of parcels. If the customer wants to have a more complex service, he can use a forwarder instead of using a transport company. The basic forwarder activities include\(^\text{21}\):

- Forwarding consultancy
- Giving instructions how to prepare goods for shipping
- Conclusion of contracts for carriage, loading, storage and other cargo services
- Customs clearance and cargo insurance

\(^{19}\) Ibidem, pp. 114–115.
• Filing for mandatory checks
• Fulfilling all documentation needed for moving goods and sending it to buyer, recipient, bank, etc.

Besides the transport companies and forwarders on the logistics market, a third type of company operates as a logistics operator. According to J. Górski, “logistics operator is a company that manages customer’s goods along with important information, from the acquisition of raw materials, through processing, to the delivery of benefits associated with the product and expected by the customer. At the same time, a logistics operator can be responsible for financial processes.”

This definition is a complex one, but at the same time shows a spectrum of activities that is covered by a logistics operator for the customer. It is worth underlining that a logistics operator offers a combinations of services from different areas, these are: physical service, service from the management field and IT service.

Logistics services market in Europe

The logistics services market in Poland, and also across Europe, is an example of a rapidly growing branch. Figure 1 shows the value of the logistics market in selected European countries; Germany is the leader and possess nearly one quarter of the whole market, it is followed by France and the United Kingdom. Poland is in 8th place, the value of the market is 53.4 billion euros.

The main reason for growth is increasing demand for logistics services, which is caused by the increased complexity of logistics systems. Overall, the logistics sector in the EU is a significant part of the European economy, which also enables effective and efficient functioning of other services and economic activities. It performs above the world average, but the performance is varied between EU member states. The sector is currently facing new trends and developments such as e-commerce, supply chain integration, multi-modality and reverse logistics.

The European logistics sector faces three main problems that will also remain in the foreseeable future, these are:

1. Rising costs of transport activities, as well as other cost components.
2. External environment influence on logistics sector, especially energy use and CO₂ emissions.
3. The quality and quantity of relevant staff.

To face the above mentioned challenges, the European Commission decided to formulate objectives that should be a basis for future policy changes. These objectives include, inter alia, better utilisation of resources, faster adaptation of new technologies, improvement of interoperability between various transport modes and coordination of the supply chain. Moreover, the Commission decided that administrative barriers should be removed and bureaucracy reduced. More sustainable behaviour of governments should be enhanced and they should try to use alternative solutions connected with fuel, technology and business models. Increasing the understanding and attractiveness of logistics is also important\textsuperscript{26}.

\textbf{Comparison and summary}

Logistics in services is an important phenomenon that plays a crucial role on the logistics market nowadays. It is present in many areas such as: city logistics, mass events logistics, etc. It offers personalised solutions for the customer and fulfills all his needs and requirements. One of the basis for it is the 7R rule that helps to manage all aspects of the services in the best possible way. There are three phases that can be easily recognised in every kind of logistics in services, these are: supply, production and sales phase. It should be remembered that the supply phase is always separated

\textsuperscript{26} Ibidem, p. 17.
from the other two phases that could be combined and are strictly bounded with one another.

Each area of logistics in services is unique and should be analysed separately, but all of them demand from the services provider a comprehensive approach that will effect a successful business solution. The management processes are crucial for logistics in services, so the management principles proposed by C. Grönroos are applicable here and should be taken into consideration in every phase of the logistics process.

Logistics services can be seen as a part of logistics in the services phenomenon, because in many cases these are the most important services that are required by the customer and that have the greatest importance for the whole business. On the logistic services market, there are three types of companies: transport companies, forwarders and logistics operators. The last are the most popular ones, because they have the most comprehensive approach to the customer and offer him a solution that is a combination of services from areas such as transportation, management and IT.

The logistics market in Europe is growing rapidly. Germany is in leading position with the value of the market – 235 billion euros in 2014, which is nearly one quarter of the whole European market (960 billion euros). Top companies on the logistic services market are DHL, Kuhne und Nagel and DB Schenker; all of them come from Germany and have a strong position as well as established reputation, knowledge and recognisable brand. All these factors create additional barriers for entering the market. The sector is dominated by companies that provide logistics services using their own vehicles and warehouse space as well as companies that are mainly focused on using their management skills to provide a proper service level.

Dynamic changes in logistics environment require redefinition of currently existing structures, according to new classification on the market can be distinguished following types of logistics enterprises:

- Leading logistics enterprises that take over the function of forwarder between sender and companies specialised in logistics services.
- Logistics enterprises that manage the supply chain on global scale, not only on the operational but also on the strategic level.
- European logistics enterprises that fulfill needs of international clients on the European scale, which is possible thanks to the wide variety of logistics services offered and also location of transshipment terminals in important European regions.
- Niche logistics enterprises that specialise in the service of chosen goods, loads, geographical regions or special requirements of customers.
- Logistics enterprises working in e-commerce that deliver goods purchased online to customers.

---

Diverse customer needs and requirements as well as logistics operators, which broaden the list of offered services, entering new markets and cooperation with other companies create the environment in which one customer can be served by several companies\textsuperscript{29}.

The European Commission, based on the report “Fact-finding studies in support of the development of an EU strategy for freight transport logistics Lot 1: Analysis of the EU logistics sector”, decided to prepare strategic objectives that should serve in the future as foundation for policy changes. The main challenges are connected with rising costs in the sector, external environment influence and staff issues. The objectives are focused, inter alia, on better and more effective utilisation of resources, introduction of new technologies and refining interoperability between different modes of transport\textsuperscript{30}.

Bibliography


\textsuperscript{29} Ibidem, p. 15.
Internet sources