



SWOT analysis of the road cargo transport companies in Poland

M. KADLUBEK

Faculty of Management, Czestochowa University of Technology, Armii Krajowej 19 B, 42-200 Czestochowa, Poland
EMAIL: kadlubek@zim.pcz.czest.pl

ABSTRACT

This paper gives an overview of some chosen aspects of the market recognition of road cargo transport services in Poland, assumed that there is a possibility of a change in the functioning of small and medium companies. The opportunities, threats, strengths and weaknesses of companies in the sector of hire or reward road cargo transport in Poland and in the EU-15 member states have been compared and the results of this comparison are shown in the SWOT analysis format.

KEYWORDS: hire or reward road cargo transport, SWOT analysis

1. Conditions of Polish hire or reward road cargo transport competitiveness

The opening of Polish economy and the increasing penetration of Polish market by foreign companies are responsible for the fact that Polish transport companies, if they are to survive and develop, have to undertake activities that will improve their competitiveness. The functioning of a transport company under the situation of constant changes of economic conditions which, due to a variety of reasons, take place in the market of transport services, means that the company is either capable of retaining its competitive advantage, or developing a new competitive advantage [4].

According to i.a. J. Burnewicz [2], K. Bentkowska-Senator and Z. Kordel [1], B. Kos [7], the competitiveness of a transport company depends on the following crucial factors:

- modernity of fleet vehicles ,
- utilized infrastructure – its availability and quality,
- IT systems,
- qualifications of employees,

- organizational efficiency,
- marketing strategies.

The above conditions are shaped by the knowledge, skills, objectives specified by the company management, and financial capacity of a company. The mechanism of developing competitiveness by a transport company begins with an estimation of users of the offered transport services and the company image in the market. Potential customers compare the prices of services, their widely understood quality, and pay attention also to the company image and reputation.

The ability of a transport company to effectively function and extend its potential customers market for its services is restrained by many factors, which can be classified into internal ones, i.e. depending on the transport company itself, and external ones, which do not depend on the decisions made in the company.

Domestic competition of small and medium carriers who prevail in the Polish market mostly takes place in the sphere of prices for the services they provide, which is the most obvious factor of market competitiveness in this sector. A number of other factors, which are decisive for the selection of a particular provider of hire or reward cargo transport services by a customer, include the

quality of customer service, fleet and company credibility, and remain beyond the sphere of capabilities of small carriers. Undoubtedly, competing by means of prices is not and cannot be a long term market strategy of a company, especially if the business entity in question does not have enough financial resources even for its current activities.

A frequently utilized method of competing consists in offering customers a complex range of services, and constantly extending and perfecting this range. As a rule, small and medium companies do not have a range of services wide enough to compete with large companies. Usually, only companies with an established position can be afford providing professional transport services [10]. It demands a strong capital condition, modern management and compliance with quality standards, which makes it possible to compete in the European Union market in the future. A majority of carriers active in the Polish market are not able to face such challenges single-handedly.

The presence of many small and medium carriers in the Polish market results in a situation when the offer of most entities is limited to providing customers with the simplest forms of services. The provided services can be classified as traditional and uncomplicated ones, mainly such as the transport and forwarding, while the storage or distribution is less frequent. In connection with Poland's accession to the EU a gradual replacement of the services of road cargo transport by delivery chain management, common in the economically developed EU-15 countries is expected. This replacement can already be observed, although its degree is still rather limited. At present the competition between international carriers from the EU and from Poland is taking place in different markets, however, the strengthening of carriers who are active in Poland can be observed simultaneously with a dynamic expansion of Polish carriers into the European Union markets [8].

Changes in the economy reflected in transportation and services changes have a decisive impact on the evolution of focus in operations of companies active in that economy sector. Depending on the company organization and legal form, size, and operations extent, one can see the following new directions that occur in the services of road cargo transportation in Poland [14]:

- diversification of transportation companies' operations – extension of the basic activity profile by all types of additional services, i.e. shipping, storage, customs, IT, and financial, up to, and inclusive of, comprehensive packages of logistic services offered to customers;
- introduction of state-of-the-art transportation technologies (innovation) or new types of transportation services using the existing infrastructure of transportation companies raising their effectiveness through the adaptation of services already offered to market requirements;

- focus only on the chosen basic services (which is the case of small companies).

The absence of steady contracts and looking for market niches are responsible for the fact that the carriers who belong to the sector of small and medium companies in the long run are unstable. Thus, in a natural way these entities which are weak with respect to their financial and organizational structure are eliminated from the market, and replaced by new, equally weak entities [1]. The functioning under uncertain market conditions and a still fiercer competition forces companies to look for strategies that would assure their survival in the market. An efficient way of facing the difficulties by companies, which assures their collaboration, seems to lie in their integration [9]. The path leading to a consolidation of Polish companies certainly ought to take into account the establishment of strategic alliances, agreements, and consortia. The establishment of a group of companies being mutually complementary with reference to the offered services would increase the chances for their development by improving the factors connected with organizational matters, capital, contracts, and leading to a decrease of incurred costs [10].

2. SWOT analysis of companies in the hire or reward sector of road cargo transport in the EU-15 member states and Poland

At present and in the nearest future small and medium transport companies in Poland have to search for their own way of surviving in the competitive and saturated market of transport services. However, taking into account the still more limited opportunities of carriers in this group, also with reference to a widely understood innovativeness of their offer and a lack of willingness in the business environment to undertake any consolidating activities, the future of the companies in question in most cases will be reduced either to being subcontractors or to functioning in market niches [16]. The absence of a protective umbrella of the state over these companies and their lack of skills in acquiring financial resources from the EU are undoubtedly among the factors which make the functioning of transport companies more difficult. Various aspects of their functioning, including those that have already been hinted at and some more, as well as potential opportunities and threats to their development, are shown in Table 1 in the SWOT analysis format.

Table 1. SWOT analysis of Polish hire or reward road cargo transport companies

Strengths	Weaknesses
<ul style="list-style-type: none"> - The carriers are getting prepared for the growing competition with EU countries by gradual replacement of fleet vehicles by ecologically-friendly and more modern ones; - Small transport companies are acquainted with manufacturing companies in the local market; - The specialization of transport is growing due to investing in vehicles adjusted to specific types of cargo; - The number of attestations required for specific types of cargo transport is growing, e.g. for transport of hazardous goods (ADR) or animals; - The system of financial services is growing rapidly, improving the access of companies to capital. 	<ul style="list-style-type: none"> - Large dispersion of carriers, evidenced by the fact that the prevailing number of carriers are small companies (owning a single vehicle); - A considerable majority of companies is managed by natural persons; - No long-term transport contracts in small companies; - Poor financial standing and low earning capacity of companies which makes it difficult to acquire capital; - Low level of education, inadequate level and inappropriate structure of vocational qualifications; - Low transport accessibility of Poland, especially some of its regions.
Opportunities	Threats
<ul style="list-style-type: none"> - Stimulation of trade with the EU countries due to abolishing internal customs tariffs and trade barriers, as well as the tightening of economic associations; - An expected growth of demand for consumer goods from other countries will enliven the transport market; - Building modern warehouses, custom bonds and logistics warehouses in order to facilitate goods distribution; - Forwarders will look for carriers willing to deal with the transportation of LCL goods; - A consolidation of small companies will allow for their more effective and profitable negotiation of transport agreements with large companies; - A development of industry branches with higher processing levels (as one of the ways to enliven regions) will result in the increase in specialised transport services, mainly provided by small companies; - Improvement in the access of small and medium companies to external sources of financing (i.a. acquiring funds from the common capital market of Europe). 	<ul style="list-style-type: none"> - Lack of a decision center indispensable in a situation of a high demand for transport services provided by small companies; - Poor access of small transport companies to information and new technologies; - Forced cooperation of small transport companies (acting as subcontractors) with large logistic companies that have their headquarters in distant regions; - A considerable price increase of vehicles and transport equipment (including specialised equipment and vehicles) and price increase of fuels (due to the increase in the excise duty) would increase the costs incurred by Polish carriers and diminish their competitiveness; - When Polish carriers have to pay taxes at the same level as the carriers in other EU countries the cost of transport will rise considerably; - Polish carriers might be eliminated from some segments of the transport market by carriers from Eastern and Central Europe who can assure slightly lower costs of transport; - The expected concentration of logistic services will transfer the assumed lowering of costs to carriers dealing with a clean transport, i.e. small companies; - The risk of inadequate level of absorption of the EU aid.

Source: own work on the basis of [1]

On the basis of the market recognition of road cargo transport services, it is assumed that there is a possibility of a change in the functioning of small and medium companies, the major premises of such changes being the following:

- a growing inter-branch competition, which may cause:
 - › intensification of the consolidating tendencies which would make it possible to concentrate capital, expand the range of activities, and change forms of organization; this might be possible if we assume that the awareness of potential profits of the consolidation will grow; however, a change in the traditional way of conducting business activities will be a process gradually taking place over a number of years;
 - › improvement in service qualities as a basic condition for retaining competitiveness of Polish carriers; this necessity is conditioned by the level of transport services offered in other countries of the European Community and the current requirements of customers interested in such services;
- increasing the number of specialised vehicles (together with semi-trailers) as a response to the increasing share of highly processed goods in the total volume of production;
- a growing demand for attests enabling the transport of hazardous goods, perishable goods and animals;
- a change of the fleet structure: increasing the share of truck tractors with semi-trailers and reducing the share of universal trucks;
- an opportunity to acquire funds from the European Union.

The premises for the development of Polish market of transport services have a macroeconomic character: an increasing economic growth causes an increasing dynamics of growth of the road cargo transport sector, which is larger in Poland than in other countries of the EU-15 member states. The increase in turnover calculated in Polish zloty is achieved while at the same time the total quantity of transport services drops. It is expected that due to the systematic drop in transport demand of Polish economy after Poland's accession to the EU the quantity of transport calculated in tonnes and tonne-kilometres will not grow; in the case of high dynamics of GDP it may be retained at the present level. Basic consequences of the EU extension for the Polish sector of road cargo transport boil down to tidying the market and accelerating its evolution. The conditions of competition are going to change gradually due to the transition periods that have been negotiated in the field of transport. The assumption is becoming confirmed that the EU extension would cause an increase in the trade turnover between the EU-15 member states and the new members; regardless of the falling transport demand of Polish economy an increase in the road transport was to be expected. Poland's integration with the EU increased the competition in international transport and accelerated the process of

Table 2. A comparative SWOT analysis of companies in the sector of hire or reward road cargo transport in the EU - 15 member states and in Poland

SWOT	EU	Poland
Strengths	<ul style="list-style-type: none"> - Higher efficiency due to: know-how in the field of transport, flow of information; - Utilizing the concept of intermodal transport. 	<ul style="list-style-type: none"> - Low remuneration; - Determination and work commitment of drivers; - Acquaintance with local conditions; - Better communication skills in the countries of Central and Eastern Europe.
Weaknesses	<ul style="list-style-type: none"> - High working costs; - Language and cultural barriers encountered by drivers in Poland and other countries that freshly joined the EU structures. 	<ul style="list-style-type: none"> - Older, less reliable fleets (mainly domestic ones); - Scarcity of financial resources; - Limited knowledge in the field of transport and logistics, as well as information and communications systems.
Opportunities	<ul style="list-style-type: none"> - Growing demand for transport services; - Further development of intermodal transport; - Collaboration with Polish carriers; - Demand for ecologically-friendly fleet vehicles. 	<ul style="list-style-type: none"> - Expansion of the market of transport and logistics services; - Collaboration with carriers from the EU-15 member states; - Intermodal transport; - Initiating relationships with the countries of Eastern Europe and Asia
Threats	<ul style="list-style-type: none"> - Shortage of long distance drivers; - Growing remunerations, taxes and fees; - Permits. 	<ul style="list-style-type: none"> - Competing with carriers from the EU-15 member states; - Growing tolls, taxes and fees; - Permits.

Source: own work on the basis of: [5]

systematization of the whole branch. The abolition of the prohibition of cross-border transport among the EU members and of the necessity of border checks lead to a growth in efficiency of international transport services provided by Polish carriers. At the same time their profitability was decreasing due to the rising prices of fuels and the introduction of road user fees [3]. Frequent provision of services at lowered prices results in a scarcity of resources for investments and development, and even for the replacement of the means of transport. Meanwhile, the carriers from Western Europe are perceived as entities implementing state-of-the-art technologies, being better organized and providing higher standards of services [6].

The opportunities indicated and not indicated above, strengths and weaknesses of companies in the sector of hire or reward road cargo transport in Poland and in the EU-15 member states have been compared and the results of this comparison are shown in the SWOT analysis format in Table 2.

3. Problems of road transport policy in Poland

On the one hand, the joining of the EU structures by Poland increased the opportunities of Polish entities for functioning in the Union market, but on the other hand it made the national transport companies to face the challenge of meeting higher requirements and expectations, including the improvement in price and quality competitiveness [15].

From the point of view of transport policy it is important to create conditions for development of companies and their functioning according to the principles which are complied with everywhere in Europe, which entails the improvement in the quality of Polish transport and adjusting it to the standards and requirements obligatory in other countries which belong to the Community.

The basic objectives of Polish transport policy are in accord with the objectives of the European Union specified in numerous primary and secondary pieces of legislation and in the form of White Papers, of which the latest was published by the European Commission in 2001 under the title "Time to Decide" [19]. The fulfilment of several dozen postulates which it contains i.a. it is supposed to change the proportion of the share of road transport with reference to other branches of transport. This means that until 2010 the competition among particular branches has to be regulated and the branches have to be integrated, resulting in an effective intermodality.

A government document implementing the transport policy in accord with the EU recommendations in the field of assuring proper conditions for a lasting, sustainable development is the document specifying a long-term state policy on the subject, entitled "National Transport Policy for 2006-2025" (abbreviated as "PTP"). The directions of road transport development specified in this document refer especially to the vehicles infrastructure, investment planning, organizational modernization and traffic management. It also assumes that due to the differences in conditions of competition between road and rail transport, the development of intermodal transport will be financially supported by the state [1].

Simultaneously with the PTP, the Ministry of Infrastructure developed another document, entitled "National Strategy for Transport Development 2007-2013". The road transport and problems associated with it were discussed under strategic objective no. 4: improvement in safety, and strategic objective no. 5: ecological sustainability.

Another project that was developed was entitled "National Development Policy 2007-2013," and included five horizontal programs. One of these was entitled "Transport infrastructure" and encompassed two operational programs, such as "Road infrastructure" and "Transport Competitiveness"

[18]. These programs addressed particular development opportunities of the sector in question with regard to the relatively low degree of association with long-term processes of capital accumulation and pointed out the objectives to be achieved: extension and modernization of transport network.

As a result of alterations in the organizational structure of government institutions the distribution of tasks referring to the development of projects specifying the objectives and priorities of the economic policy also changed. The basic strategic document entitled "National Development Strategy 2007-2015" addresses the issues of transport in one of its five operational programs: "Infrastructure and Environment". Furthermore, another document entitled "National Strategic Reference Framework 2007-2013" (abbreviated as "NSRO") was developed and approved, supporting the economic growth and employment. The concepts of economic development taken into account in this document and resulting from the renewed Lisbon Strategy, as well as the relationships among the priorities determined by the Community Strategic Guidelines, are reflected in the strategic objective no. 3 of NSRO: "Building and Modernization of Technical and Social Infrastructure Crucial for Better Competitiveness of Poland".

It is rather disquieting that the references to road transport in the above mentioned documents focus mainly on the state of road infrastructure, its modernization and development. Meanwhile, the activity potential of the sector in question is limited by many other barriers, for instance a difficult access to the profession of a carrier and the particular market segments, the problem of extending the scope of services provided, restricted freedom of technological and organizational innovations, low dynamics of creating new places to work, limited improvement in the effectiveness of transport processes and a limited productivity growth of transport companies. Therefore, the new version of "National Strategy for Transport Development 2007-2013" ought to take into account a much wider scope of problems connected with the road transport policy, and also encompass some chosen aspects of the sphere of hire or reward road cargo transport.

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