

## LOGISTIC OPERATOR AS A PERSPECTIVE MODEL FOR TRADITIONAL FREIGHT FORWARDER

Asst. Prof. Ljupčo Sotiroski, PhD

University "Goce Delčev", Faculty of Law, Štip, Republic of Macedonia

Tel: 0038970363006; e-mail: [ljupco.sotiroski@ugd.edu.mk](mailto:ljupco.sotiroski@ugd.edu.mk)

Asst. Prof. Snežana Bilić, PhD

International Balkan University, Faculty of Economics and Administrative Sciences, Skopje, Republic of Macedonia

Tel: 0038975430601; e-mail: [sbiličsotiroška@ibu.edu.mk](mailto:sbiličsotiroška@ibu.edu.mk)

Asst. Prof. Borka Tushevská, PhD

University "Goce Delčev", Faculty of Law, Štip, Republic of Macedonia

Tel: 0038977910487; e-mail: [borka.tusevska@ugd.edu.mk](mailto:borka.tusevska@ugd.edu.mk)

**Abstract:** In this article we trace the latest developments in the field of shipping, transport, logistics in Macedonia and the region. Through analysis and elaboration of these issues, we want to emphasize the importance of this sector for the overall domestic, regional and international trade, simultaneously to point out the necessity of its imminent transformation. The phenomenon "globalization" and diversification of trade activities put the freight forwarders and transporters before a big challenge. This challenge was also a test of their survival. Companies from this area had to decide whether to invest in their transformation in 3PL and 4PL service providers, to allow a friendly takeover by freight forwarders, or finally to get lost in the ferocious competition, and gradually disappear from the shipping market. Research conducted on these issues adduce us to a several key points that we seem functional for creating and implementing successful business politics, in domestic and regional logistics sector. Namely, using a few basic methods of research, interview, questionnaire, and comparative method we concluded that: the concentration of capital in the hands of a few global logistics giants will throw out market freight forwarders who operate as small and medium enterprises.

**Key words:** *organizational change, logistic operator, freight forwarder, 3PL, 4PL, service provider*

### 1. INTRODUCTION

In terms of modern trade, traditional freight forwarders are increasingly losing their meaning, transforming itself into a *fuller logistic management providers* with broad logistics capabilities. The process of globalization, diversification of trade activities and concentration of capital, contribute to moving the boundaries of freight forwarders, and their transformation into a logistic operators.<sup>179</sup> In the transport process and logistics, forwarders developed into a centers which ensure an effective supply chain, with the potential to increase income, to expand production, and minimize costs by creating a rational distribution system. All of this, contributed to the need of further research in the field of shipping and transport, emphasis the process of transformation as a *condition sine qua non* for survival and competition in the global market.

These new modes of production and distribution switch on transport facilities offering its customers integrated, fast and reliable deliveries. Along with these changes, the need for global

---

<sup>179</sup> Kumar, R., (1999), International Logistic, USA, p.4.

logistic services dramatically increased. These services could only be offered by multimodal transport operators:

- 3PL and
- 4PL providers.

The surveys conducted in this area show that the attractiveness of the logistics forwarder growing in the direction of expansion of bundled services that are offered.<sup>180</sup> Through the implementation of Electronic Data Interchange (EDI) system<sup>181</sup>, training their own personnel and invest in other heterogeneous sectors, import-export companies transferring their goods around the world through electronic input of their code, and indicating the point of loading and unloading.

## 2. FACTORS THAT IMPLY GROWTH IN THE VALUE OF LOGISTICS SERVICES

In recent decades the value of logistics (service) sector has seen continued growth and development. This affirmation of logistics services is determined by more or less important factors that directly affect the logistical capabilities of the operators. The underlying global factors that promote logistics providers is technical and technological progress, the development of information and communication technology, outsourcing services and concentration of capital in several global entities. Namely, by linking numerous heterogeneous entities in supply chain, inevitably imposes the need of logistical support services.

To meet the needs of this broad category of subjects, freight forwarders must implement EDI system. It seems that the use of IT services is a *condition sine qua non* for development of logistics operators. The emergence of electronic disposal, electronic banking, electronic signature and electronic supply, electronic bill of lading and loading practically made possible the communication between multiple related entities that operate under the umbrella of one company.<sup>182</sup>

Parallel with the development of IT technology stand outsourcing services which also had implications on the logistics sector. Namely, by indulging in things that are beyond the basic scope of operations of companies, logistics operators such as specialists are increasingly coming to the fore and promote the field of transportation and manufacturing. Gradually the developments of transport logistics are developed in the production and logistics. In this sense, the freight forwarders in the role of 3PL providers frequently takes actions that increase the value of goods: packaging, labeling, marketing of goods declarations accompanying acts as the basic responsibility for organizing and implementing the transfer of goods. Finally, series

---

<sup>180</sup> Wong, C.Y., and Karia, N., (2010) “Explaining the competitive advantage of logistics service providers-view approach”, International Journal of Production Economics, Vol.128 p. 1-17

<sup>181</sup> Electronic Data Interchange (EDI) is the electronic interchange of business information using a standardized format. In other words, EDI is a process which allows one company to send information to another company electronically rather than with paper.

<sup>182</sup> Kolaković, M.,(2010), Virtualna ekonomija : kako poslovati u uvjetima globalne krize. Zagreb : Strategija, p. 207

of factors affect the growth of the value of logistics services: *containerization, just in time delivery, door to door delivery* etc.<sup>183</sup>

All the above factors imply growth in the value of the logistics sector. Specifically, each of these factors makes a kind of influence on appearance and development of logistics operators as specialists in transport and shipping. The lack of logistics providers in large measure would impede the transfer of goods and would definitely reduce the volume of goods that can be transferred in a certain time interval, due to logistics arising from their actions.

Expansion of logistics as a process of planning, implementation and monitoring of cost-effective flow, storage of raw materials, semifinished products, finished products and transfer of information, marked the modern industrial production and global trade.<sup>184</sup> In business practice logistics providers often act in the form of carriers, forwarders, Non-Vessel Operating Common Carrier (NVOCC) and finally as a 3PL and 4PL service providers.

In business practice, the most important LPs are 3PL providers. 3PL represent companies that provide logistics services for multiple needs of its customers (import-export sector). As entities focused on organizing the transportation, storage, packaging, transportation, loading and unloading of goods, 3PL contribute to the reduction of distribution costs, greater security in the cattle operation, and finally, speed of transaction execution. In contrast, such providers exist in the advanced stage of 4PLs providers whose engagement means flexibility, efficiency and cost reduction in the supply chain of the maximum level. Despite 3PL that actually relate to storage and transportation of goods, 4PLs are usually part of complete outsourcing companies. The role of 4PL is to implement a production value of companies. In essence, the creation of added value service, is reflected in the overall operations.<sup>185</sup>

The engagement of 4PL providers as an agent of integrating traditional 3PL providers is growing. Namely, in practice, more and more companies pretend to operate as a 4PL services providers. Specifically, there are companies that pretend to "*full packet service*", providing a reduction in cost and maximum efficiency in the operations of companies. These global trends are typical for Macedonia.

### 3. RESEARCH METHODS

Empirical research is the main concept which has been use during this exploration. As a confirmation of our theoretical views, we use comparative methods, questioner and face to face interview for analysis and elaboration of these issues.

---

<sup>183</sup> Matopoulos, A. and Papadopoulou, E. M. (2010). The evolution of Logistics Service Providers and the role of Internet-based applications in facilitating global operations, "Enterprise Networks and Logistics for Agile Manufacturing", Springer, pp. 297-310,

<sup>184</sup> Zelenika R., Pupavac D., (2008), Menadžment logističkih sustava, Ekonomski fakultet u Rijeci, Rijeka, p.16

<sup>185</sup> Mason, G., (2005), "In Search of High Value Added Production: How Important are Skills? Investigations in the Plastics Processing, Printing, Logistics and Insurance Industries in the UK", National Institute of Economic and Social Research, London , p. 1-143

The questionnaire was composed of 21 questions, divided into several categories such as: general questions, status changes in the company, life cycle of the product, introduction of the new technologies, strategic goals of the company and financial affairs. 100 questionnaires were distributed in the 19 companies in the Republic of Macedonia in the period from September to December 2013. The percentage of answered questionnaires is 36% that present the representative number of answers for survey. Face to face interviews were made with representatives of the management structure in 9 companies. The questions in the interview were tailor made in order to reflect the factors that influence the development strategy of the company in the context of globalization.

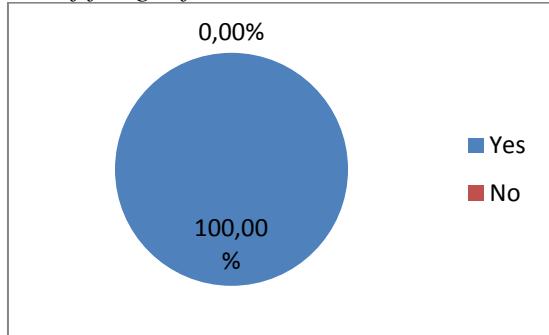
In this article are presented the part of the results of the survey related to the position of Macedonian freight forwarders in global supply chain and their transformation activities.

#### **4. THE POSITION OF MACEDONIAN FREIGHT FORWARDERS IN GLOBAL SUPPLY CHAIN**

The results of the survey show that concerning the origin of the capital 57,14% of the companies are with domestic capital and 42,86% are with foreign capital. Comparing these two categories, companies with domestic and foreign capital, we conclude that freight forwarders in Republic of Macedonia more or less are part of world shipping business.

In the field of domestic logistic, freight forwarders seriously joined the global trend of 3PL and 4PL. Regardless of the source of capital (domestic or foreign), freight forwarders in Macedonia joined the world trend of transformation and diversification of trade activities. According to our research, there isn't a freight forwarder in Macedonia, which doesn't pretend to act or act as a 3PL or 4PL services provider.

*Figure 1. Transformation of freight forwarder in 3PL and 4PL services providers*



*Source: Own research*

This situation contributed to the increasing need of research in this field. In this article, we focus on the analysis and elaboration of differences between the innovation of domestic and foreign companies in Macedonia. Actually, we explore the new organizational change in the field of freight forwarders, and their impact on stability and sustainability of the Macedonian freight forwarder companies. Much attention is paid to the analysis of methods for building long-term development strategy, and the role of the management in that process.

The situation is different in foreign and domestic companies. Small (domestic) companies operate with low capacity. This is because they invest less in innovations, new technolo-

gy, skilled labor and management. They don't have a strategy for development. Generally they focus on retaining existing customers. In contrast, foreign companies are oriented to the development of retaining existing ones, and conquest new markets. However, they have the opportunity to learn how to increase their profit. In any case, this is a great advantage for small freight forwarders. That's how they build their capabilities to respond on global need of export-import sector. In this direction are the results of the survey.

Under the influence of globalization, diversification and global downturn, freight forwarders worldwide inevitably had to accede to organization, personnel, marketing and other changes. This was also the case in Macedonia. Indisputable fact is that there are differences between companies, but the fact is that small companies have made move, which was inevitable for their existence on the market.

#### **4.1. Freight forwarders with domestic capital in Macedonia**

In the Republic of Macedonia act numerous and heterogeneous types of freight forwarders. Generally, in the global market, the biggest part of the freight forwarders of services is conducted by large (foreign) freight forwarders, known as forwarders providers of services that offer *full package services*. Almost every freight forwarder

The freight forwarders established exclusively by domestic capital, almost did not take action other than what is called classical transport. In this sense, the freight forwarders in the Republic of Macedonia act as a customs agents. Most of them until recently were not known categories to the local customs, authorized economic operator, added value services etc.

This situation will inevitably contribute to the disappearance of small freight forwarders from the market or their takeover by larger freight (logistics) providers.

The process of survival of freight forwarders with domestic capital is directly conditioned by their transformation. Hence, as the practice itself, the Macedonian freight forwarders build strategy to expand its business and providing long-term selling of their services.

#### **4.2. Freight forwarders with foreign capital in Macedonia**

In Macedonia operate multinational companies for transport consolidation (Logwin AG - International & Transport Air Freight, Deny Cargo, DB Shenker, etc.). These companies offer full logistics of moving goods in the international market. More specifically under the legal framework of these companies exist several business ventures that contribute to increasing their attractiveness to the market. In terms of this, the offer of full package services, inevitably leads to market success. This factual situation in the field of freight forwarders resulting from the global trend of offering systematized and centralized packet of services and information for implementation of trade deals.

The opinion of discarding small freight forwarders from the trade market is excitedly based on a different concentration of commercial activities into one entity. The Macedonian factual situation is facing with such situation. This is about the freight forwarders established by foreign investment. Namely, there are numerous statutory changes which these companies have done in the last decade. As a part of the overall development strategy is the establishment of ser-

vices providers in Macedonia. In this context, the German company LOGWIN which offers wide range of services in the market as well as transport, insurance, packing, inspection, labeling. Especially, characteristic in this segment is the temporary trend of import which for the Republic of Macedonia doesn't represent anything else taking advantage of using cheaper labor.

The same factual situation can be found in the case of operating of German company Schenker. The package of services offered by this company to the market consists of all those specified and managed under the umbrella of value added. Services, which give practical added value of transferred products. The same line is following the world famous company DHL, whose base of the service sector is door to door transport, just in time delivery, etc.

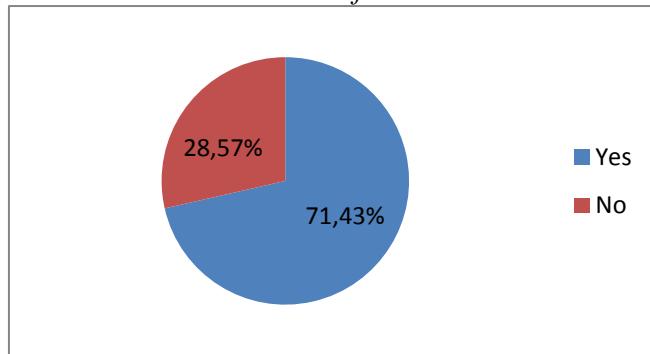
All of these companies, through the process of expansion of its business into new business ventures, investments in information technology, are successfully surviving and ruling on the market. In this context, the main idea was to focus on some real practical research, which confirmed the above mentioned constructed theoretical views.

This research is aimed to serve as a guide to Macedonian freight forwarders towards what to direct their activities. The main goal is focusing to maintain its business, which simply leads to the enhancing of Macedonian economy.

#### 4.3. Practical aspects of Macedonian freight forwarders

In order to come to a proper and useful research for the economy, we made an exploration connected with several questions which gave us answer for some practical aspects of freight forwarders in Macedonia. Basically, we focused on the organizational change of the companies, and their strategy for growth and development. In this contest, we can emphasize the fact that almost every freight forwarder in Macedonia have extend his scope of activities.

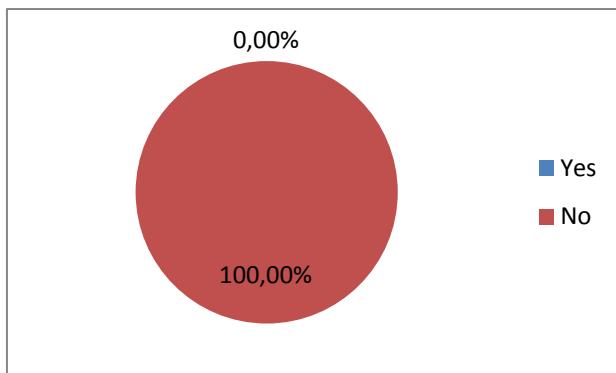
*Figure 2. Companies that extend its market of activities*



*Source: Own research*

In correlation with this issue, stands the question about the reduction of some of forwarding agent activities. According to the research, there is not a freight forwarder which stopped to do some activities.

*Figure 3. Stopping certain activity or services offered*



Source: Own research

Finally, the issues that has a direct connection with stability, sustainability and prosperity of the freight forwarder: organizational changes and necessity of building a proper local, national and global development strategy. This question is in direct connection with the success of global economy. Namely, the growth and development of the economy is conditional from the successful work of freight forwarders. The reason for this is the fact that shipping, transport and logistics are basic components of world trade which *in ultima linea* take the biggest part from the world economy.

## CONCLUSION

Using appropriate methods of research, we came to certain empirical results that confirmed our theoretical views. Taking into account the global situation in the business community, focusing on the logistics sector, we conclude the following: specialization of freight forwarding services is long past stage after which follows the process of integration of freight forwarding logistic to transport services, and finally to centralization of these services in a logistics operator. All this contributed to the creation of multinational companies in the market of logistics services (logistics sector).

Empirical research does point to the conclusion that small and medium-sized forwarding companies in Macedonia and elsewhere in the region will not be able with its capacity to satisfy the needs of regional and global markets. Extensive import-export worldwide, dictated by the world's great economic powers, contributes to a numerous mergers, takeover, fusion of the companies. This global trend made a strong impact on freight forwarder environment in Macedonia. The great shipping companies with foreign companies already establish in Macedonia, accept this world trend in full capacity.

This new concept of transformation strongly influenced on the creation of a new strategy for market access and for all participants in the business community. Research has shown that domestic and foreign freight forwarders attempt to adapt to the new world trend. Theory pointed and practice confirms the fact that the small and medium sized forwarders that will not be able to transform into logistics providers, will disappear from the market. Finally, it is the era of logistics systems in transport.

## REFERENCES

- [1] Božić, V, Acimović, S. (2010), *Marketing Logistika*, Centar za izdavačku delatnost Ekonomskog Fakulteta, Beograd
- [2] Kolaković, M.,(2010), *Virtualna ekonomija : kako poslovati u uvjetima globalne krize*. Zagreb : Strategija
- [3] Kumar, R., (1999), *International Logistic*, USA,
- [4] Mason, G., (2005), “*In Search of High Value Added Production: How Important are Skills? Investigations in the Plastics Processing, Printing, Logistics and Insurance Industries in the UK*”, National Institute of Economic and Social Research, London , ISBN 1 84478 528 9.
- [5] Matopoulos, A. and Papadopoulou, E. M. (2010). The evolution of Logistics Service Providers and the role of Internet-based applications in facilitating global operations, “*Enterprise Networks and Logistics for Agile Manufacturing*”, Springer, pp. 297-310, ISBN: 9781849962438.
- [6] Medvešček, I., (1975), *Osnove tržišne politike*, Viša ekonomksa škola „dr. Mijo Mirković“, Pula
- [7] Zelenika, R., (1985), *Međunarodna špedicija – Osnovni i specijalni poslovi – Poslovna politika*, «Istarska naklada», Pula,
- [8] Zelenika, R., Pavlić, H., (2004), “Strategijske odrednice poslovne politike špeditorskoga logističkoga operatora”, *Pomorski zbornik*, Vol.42 br. 1, p. 109-130, Društvo za proučavanje i unapređenje pomorstva Republike Hrvatske, Rijeka
- [9] Zelenika R., Pupavac D., (2008), *Menadžment logističkih sustava*, Ekonomski fakultet u Rijeci, Rijeka
- [10] Wong, C.Y., and Karia, N., (2010) “Explaining the competitive advantage of logistics service providers- view approach”, *International Journal of Production Economics*, Vol.128