

The 4th International Conference on Economics and Social Sciences
Resilience and economic intelligence through digitalization
and big data analytics
June 10-11, 2021
Bucharest University of Economic Studies, Romania

A Critical Review of Global Logistics Providers in Romania

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DOI: 10.2478/9788366675704-013

Abstract

For a long period of time, logistics has been restricted to local or, in best cases, to national level. This was due mainly to the fact that, for many businesses, logistics was only a cost driver, so the only concern was how to contain this cost. However, when management realized the value lost due to poor logistics, they became interested in integrating logistics in their strategic planning process. As such, logistics moved to a global level, at the same time with the customers that started to play globally.

The objective of the study is to understand how logistics expanded to a global level, what are the new market characteristics and what is the role of the global logistics players in this context. The paper presents the main global players in the industry and their evolution so far. In order to streamline their research, the authors will focus on the European market in general, and on the Romanian market, in particular. As such, a representative sample of global logistics providers with regional/local presence will be analysed. The results of the study present the strategic mapping of the global logistics providers in Romania.

Keywords: Global logistics, service providers, logistics market Romania, strategic mapping.

JEL Classification: L11, L21, L91, R40.

1. Introduction

The logistics industry in Romania is still in its inception. However, the Romanian logistics services market has experienced a significant growth in the last years. This has generated multiple opportunities for the market players, but also a lot of confusion. This confusion is present also with regard to the range of services provided on the market. Therefore, it is difficult to benchmark the suppliers of logistics services, as well as to establish their nature.

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The nature of a logistics service provider cannot be understood unless we investigate what outsourcing means. More specifically, one has to understand what outsourcing is, why companies outsource, what they outsource, to whom, etc. In just one sentence, outsourcing comes with the classic dilemma: make or buy.

In a study dedicated to logistics outsourcing in the UK, Rafiq and Jaafar (2005) explored the nature of outsourcing. Outsourcing is largely regarded as a tool aiming to achieve two main objectives: lowering the costs and gaining competitive advantage. The research of the Outsourcing Institute shows that that companies gain 9% costs saving and a 15% increase in capacity and quality, on average, due to outsourcing.

Finally, it should be mentioned that this kind of studies have not yet been performed in Romania. Very few authors have addressed this topic, mainly due to the infancy of the market. Therefore, the research will be primarily exploratory, using mainly qualitative methods.

2. Problem Statement

The literature review aims to identify the main trends that shape the industry, by comparing, contrasting and integrating the research done up to date.

Taylor (2005) identified five major reasons explaining why logistics extended to global level:

- Managing rising logistics cost – continuing the above ideas, logistics costs represent now about 10% of sales value and the value is increasing. Such rise is explained through internal factors (e.g. new technologies) or external factors (e.g., fuel, labour). A specific aspect is global sourcing: in order to purchase globally (thus getting the associated benefits) you also need to build the structures to deal with global sourcing. However, this increases complexity and, finally, logistics costs!
- Lean manufacturing – the emergence of lean concepts in manufacturing has “forced” logistics to adapt. The main impact on logistics was the reduction of inventories, as well as of costs. However, reducing inventories means also longer transport and transit times. Moreover, inbound and outbound supply chains have to be integrated. All of these come, again, at a cost...
- Operating as an on-demand business – coming from lean, many companies try now to maximize their reaction to customer needs. IBM defines an On-Demand Business “as an enterprise whose business processes — integrated end-to-end across the company and with key partners, suppliers and customers — can respond with speed to any customer demand, market opportunity or external threat”. The key word here is flexibility and therefore outsourcing plays a major role, by also making the costs variable instead of fixed. Nevertheless, building such a structure requires a rigorous top-down planning process, as well as a permanent open eye on the market.
- Cross-functional sourcing decisions – global sourcing has become a reality of these days. However, in order to take the right decisions, you need to know the

logistics capabilities and costs. As such, building a global logistics network is the main enabler for an efficient global sourcing.

- Supply chain management – logistics is now part of a larger concept. According to Martin Christopher, “supply chain management is the management across a network of upstream and downstream organizations, information and resource flows that lead to the creation of value in the form of products and/or services”. Such a view drives logistics on its path to globalization.

After seeing how logistics moved to globalization, it is now time to investigate what services are performed at a global scale, what are the differentiators, and what cross-border issues arise when logistics services are performed globally.

Mentzer et al. (2004) introduced the concept of LSQ (Logistics Service Quality) as a sum of elements that work towards customer satisfaction. Initially, LSQ was defined as a static construct with nine dimensions, separated in two categories (order placement and order receipt). However, in a subsequent research, LSQ is seen rather as a process, where suppliers can identify the drivers of quality.

Concerning to international services, Mentzer et al. (2004) maintained that cultural differences influenced logistics services; for example, each culture has its own perception with regard to timeliness and responsiveness. The author proposes a model, whereas national and regional characteristics are seen on the same scale of importance as organizational characteristics. Potential customers will always choose a logistics provider that takes into account all these special features.

However, in another research, Bhatnagar and Viswanathan (2000) argue that globalization is somewhat contradictory with the other major strategy in today’s world, which is time-based competition. The authors studied the global alliances between manufacturing companies and global logistics services providers (GLSPs), maintaining that both groups of companies have developed complementary expertise in time. For example, GLSPs increased their expertise in technologies like warehouse automation, barcode scanning, etc., thus making them a strategic partner for the manufacturing companies. This relation evolved continuously to a strategic alliance, characterized by two attributes:

- Share costs and value opportunities for both parties;
- Utilize the competitive advantage of one party to increase the competitive advantage of the other party.

Bhatnagar and Viswanathan (2000) concluded that such an alliance usually brings a total re-engineering of the supply chain, too. The given example is the alliance between Motorola and UPS, which provided both significant benefits in terms of cost reduction and service increase (Motorola) and volumes consolidation (UPS).

Tan et al. (2006) bring the view of SMEs in relation to global supply chain. Given their small size, SMEs can take advantage of globalization only by working together (e.g., building strategic alliances). This also includes logistics partnership between a “normal” SME and a “logistics” SME. The authors gave the example of a small British producer of electronics who partnered very successfully with two Asian companies. The framework for this collaboration was:

- Jointly established objectives
- Supplier selection
- Management control
- Quality control
- Evaluation and feedback

Tan et al. (2006) also highlighted the cultural aspects involved in such a partnership. UK and China have very different cultural approaches (e.g., formal vs. informal) that should not be neglected.

Following the look-up on global logistics, a more detailed view on regional level is necessary. Europe has remained somehow behind US in terms of logistics services, especially with regard to concentration of suppliers. The European market is still dominated by local providers who manage to perform high quality services. This does not exclude the presence of large logistics providers, like DHL.

The same aspects were found by Carbone and Stone (2004), who captured the market heterogeneity very well. They argue that the industry is moving through evolutionary change, both in terms of capabilities and offers. Moreover, few logistics providers are making all revenues only from logistics services; many of them are still very active in transportation and/or courier services. However, the major European logistics providers are moving to horizontal integration and business diversification, especially by acquiring specialized companies. Due to this intense M&A activity, the landscape of European logistics has changed dramatically in the last years.

The outsourcing concept and the evolution of logistics providers is little widespread in Romania (Vasiliu and Dobrea, 2013). The authors carried out a research on the concept and its application in Romanian companies, concluding that the level is low and the role of logistics service providers is undervalued. The authors also note that research in this area is relatively rare, with few studies leaning on this market, recommending that the subject be approached at doctoral thesis level.

An analysis of the occupancy of storage facilities reveals that the main tenants are logistics providers (Țarțavulea and Petrariu, 2013). However, the authors look at the subject from the point of view of the landlords, mentioning only by way of example a few logistics service providers, without going into details on their modus operandi. It is also worth noting that the market has experienced an accelerated development in recent years, which needs to be investigated.

3. Research Questions/Aims of the Research

The objective of the study is to understand how global logistics providers have adapted to the Romanian market. More specifically, the research hypotheses, rephrased as questions, are: 1. What is the preferred strategy used by global players in Romania? and 2. Is there any relation between strategic position and market winning?

4. Research Methods

The study is also an exploratory research, due to the novelty of the theme in Romania. Such a research aims to discover more about the market and develop some conclusions. According to Beal (2002), “an exploratory research can be defined as potentially useful knowledge building in a new area. This research often yields important competitive advantages as new opportunities emerge”.

Other authors, like Saunders, Lewis, Thornhill (2007) maintained that “an exploratory study is a valuable means of finding out what’s happening; to seek new insights, to ask questions”.

The LSPs have been selected based on two cumulative criteria: global/regional presence and significant market share in Romania. In other words, global/regional players with no presence in Romania were excluded (ex. DHL); and the vice versa, strong providers with operations only in Romania were not taken into account. Public charts provided by specialty media (ex. Cargo Magazin, Traffic Media) were used also in selection of the LSP’s. Last, but not least, the authors have worked for several years in the industry, therefore own judgment was also used.

Based on the above considerations, the selected sample is representative for the Romanian logistics providers industry.

The selected companies are:

- DSV Solutions
- DB Schenker
- Kuehne + Nagel
- Gebruder Weiss
- FM Logistic
- KLG
- H. Essers
- Quehenberger
- ID Logistics
- Hopi
- Yusen Logistics

5. Findings

The companies selected will be presented taking into account their main features and characteristics. Few important items will be highlighted, which differentiate them, in order to understand their position in the market.

DSV is a worldwide logistics provider with a good presence in Romania. The local initial company started back in 1994, being the first logistics company to operate in Romania. DSV acquired the local business in 2006, and further integrated it into DSV. Currently, DSV operates nine locations and manages over 100,000 sq.m Class A warehouses. Due to its size, DSV affords to operate in all the business sectors. Of course, this does not mean everything, but DSV has in its portfolio multiple customers from automotive to cosmetics and food & beverages. The range of services provided is also impressive: warehousing, domestic and

international transport, value added services (co-packing, kitting etc.). This strategy was intentionally chosen and proved correct especially during this time of crisis, allowing DSV to capitalize on the business fluctuations of their customers.

DB Schenker is a well-known worldwide logistics company. Their presence in Romania dates from the late 90's, but only in relation with activities mainly in the area of customs clearance and freight forwarding. In 2007, Schenker acquired and integrated the former transport state company, Romtrans. After Romtrans integration, the company pursued an aggressive development strategy. The company operates more than 70,000 sq.m Class A warehouses, with various customers from different industries. In terms of turnover, the company was the market leader in 2020.

Kuehne & Nagel is an international logistics company active mainly in freight forwarding, but with a substantial presence in contract logistics. Currently, they operate in Romania about 60,000 sqm with a focus on spare parts Logistics, E-Commerce, Co-Packing.

Gebrüder Weiss is a regional company that places a great emphasis on outsourcing and partnership. Most of their customers are regional companies that follow them in the Eastern and Central Europe. The company offers intelligent logistics solutions for its customers and provides flexible distribution services by road, rail, air and sea. Present in Romania since 1994, Gebrüder Weiss is based on a national infrastructure with 9 logistics hubs located all over Romania. Since 2018, the company has launched a home delivery service in Romania, focused on cargo goods, and in 2020 it opened a logistics hub dedicated to this service, where cross-docking operations are managed, the logistic terminal serving the entire country. GW has launched a comprehensive digital strategy, aiming to improve visibility and traceability of its customers' shipments through myGW, a dedicated portal.

Founded in 1967, *FM Logistic* is a major global player in supply chain with expertise including warehousing, transport and co-packing. In Romania, FM entered in early the 2000s with three anchor customers: Nestle and P&G (in Timisoara) and Cora (Delhaize retailer, in Bucharest). After this start, FM Logistic further developed in a specialized logistics provider, with a focus on cosmetics and beauty, healthcare, home and personal care. Currently, they operate 102,000 sq.m owned warehousing area (the only exception, together with H. Essers, in the Romanian market, all the other operators are renting their warehouses from different landlords).

KLG Europe is a former Dutch family company, with operations in Western Europe. In 2006, the owners decided to also enter in Eastern Europe, using Romania as start-up. As it was the case with other foreign 3PLs, KLG started with an anchor customer – this was a major white-goods retailer, called Domo (now bankrupt). After a successful development in Romania, in which the company has reached more than 66,000 sqm of warehouse, it was acquired by Sinotrans, a Chinese company.

H.Essers Romania, part of H.Essers Group, is a Belgian company, headquartered in Oradea, Bihor, but with significant operations in Bucharest. H.Essers build and own their warehouses and currently they operate more than 105,000 sqm in Romania. Their focus is on pharma, chemicals and technical care, industries where security and compliance are extremely important.

Quehenberger is an Austrian logistics provider. Currently, they operate in Romania more than 200,000 sqm in several branches all over the country. They focus on industries like textiles, automotive, e-commerce.

ID Logistics is a French logistics provider, focused on the retail industry. In Romania, they entered few years ago through a contract with Carrefour, which helped them to expand to more than 100,000 sqm.

Hopi was founded in 2013, having its headquarters in Timisoara, and once the logistic contract with P&G was signed, it gradually expanded its customer portfolio. In 2017, it expanded to Bucharest area as a logistic service provider of Fater Romania. The company currently operates warehouses in Timisoara and Bucharest, for international and local clients, while also providing international transport services.

Formerly known as Tibbett Logistics, *Yusen Logistics* is specialized in various industries and operate more 150,000 sqm in Romania. They are one of few logistics providers that developed a multi-modal connection via rail, in their dedicated terminal in Bucharest.

In order to make a final assessment of their strategic position, we will use the well-known Porter classification of generic strategies, where companies described above will be pictured. Although challenged as being simplistic (Porter himself reviewed it several times), the clear distinction between cost leadership, differentiation and focus is still valid. The logistics providers were included in the Porter matrix based on their perceived main focus, which was judged according to information presented in their above description. As an example, DSV is playing broadly, with a distinct low-cost approach on cost, while ID Logistics is focused only on retail sector, but with the same attention to cost.

Table 1. Strategic map of Romanian logistics providers

Target market	Competitive Advantage	
	Low cost	Product uniqueness
Broad (industry wide)	Cost leadership strategy DSV DB Schenker KLG Europe	Differentiation strategy Gebruder Weiss Kuehne + Nagel FM Logistic
Narrow (market segment)	Focus strategy (low cost) ID Logistics Hopi	Focus strategy (differentiation) H. Essers Quehenberger

Source: Authors' own research.

First of all, it should be noted that the above classification is not strict. Some companies cannot fit exactly into only one category. Another particularity for logistics industry is that, for all the companies, the cost is extremely important - margins are very small here; in other words, without a major focus on costs, there is no profit.

On product uniqueness, it should be noted that, in logistics, there is no such thing like "unique" product. More or less, all the companies offer the same thing – how they offer it is different.

Another important aspect highly discussed in the literature and very significant in practice is the relation between the logistics service provider and the customer. Large (2007) proposed different steps of evolution in the relation with customers, from simple, contractual to partnership. The declared objective of all logistics providers interviewed is to become truly the logistics partner of their customer.

Large identified the integrator as the most advanced level of relationship. Sometimes called logistics service providers 4.0 (even the concept is challenged in the literature), these companies take over the management of logistics from the customer, often at regional or global scale. In Romania, however, the market has not reached this level, as none of the logistics service providers interviewed is acting as an integrator.

6. Conclusions

As can be seen, the logistics landscape is quite diverse in Romania. Fuelled by an impressive growth in the last period, it has allowed the development of several players and services. The global providers have seized the opportunity and penetrate the Romanian market in a professional and systematic way. They brought significant know-how and leverage their global expertise, but, at the same time, adapted it to the local realities. Without any doubt, the global logistics providers now dominate the Romanian market and it is very likely that they will continue to do so in the future.

The practical side of the research should also be highlighted. Many managers are looking for a guide when deciding to outsource. While business magazines provide them some insights, practitioners cannot find an integrated work, which aims also to compare the logistics providers. So, it can be concluded that the present research is highly desirable, both by academia and managers.

The aim of the study was to investigate the logistics market in Romania in a qualitative and exploratory study. Because of its limited scope, the findings of this research may not be extrapolated, without the risk of being deemed as irrelevant, to other industries or to other types of companies. The sample selected included almost all the logistics providers in Romania. It can be said that the entire market was covered during the research. Nevertheless, new players enter the market continuously or current ones change their strategy, so the study is limited to the current moment and needs to be re-assessed in time.

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