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**MARKETING IN THE ACTIVITIES
OF LOGISTICS SERVICE PROVIDERS –
SELECTED DIRECT SURVEY RESULTS**

Introduction

Logistics service providers (LSP) run their activities in extremely competitive environment. As a result of more and more demanding requirements of the clients, the customized service with an added value has become the foundation of their activity. However, in a multitude of cases the activities of operators merge and coincide (Jeszka, 2009, p. 68). Many of them display total substitutability with regard to the offers of competitive operators (Hanus, Kempny et al., 2010, p. 18). The most experienced ones provide resources which could satisfy the needs of the most demanding customers, regardless of the type of branch, place, and role in the supply chain. Moreover, a considerable number of operators declare the fulfilment of comparable standards of service. This convergence increases the risk of selection of a competitive offer (Światała, 2012, p. 59), especially as the quality of the service is considered the key determinant of purchase decisions, which, in turn, motivates the industry to search for new sources of market advantage, in particular opportunities to be distinguished from the actions of the competition. In other words, the further market success of LSPs will be more determined by efficient marketing and the role it will play in providing clients with the desired value.

1. Business marketing activity – theoretical grounds

Market changes have been accompanied by a growing interest in marketing activity for many years (Kotler, Kartajaya, et al., 2010, p. 41). In the modern model of management, marketing plays a strategic role. It is a way of perceiving the market reality, and an action whose aim is to meet the needs and satisfy the customers. In order to effectively respond to the increasing competition and the growing requirements of customers, the companies use relational marketing tools. Particular attention is paid to strengthening the partnership, while aiming at building long-term, profitable and based on mutual trust relation. Very often, the implementation of customer-focused strategy is accompanied by a need to reorganize business processes. According to D. Szostek (2012, p. 2), the decreasing predictability of market environment motivates companies to modify marketing itself. In economic practice it means the necessity to modify the company business structure (Homburg, Workman et al., 2000, p. 459). The key matter is to create a unit responsible for the coordination of marketing activities, including – activities related to the sale and customer service. Studies indicate that company market orientation largely depends on the manner of marketing organisation as well as its contribution to the management strategy (Verhoef, Leeflang, 2009,

p. 14; Engel, Brettel, 2011, p. 74-75). S. Ślusarczyk (2009, p. 9) implies that nowadays marketing has become too important to be treated in terms of an individual function of a company. However, T. Kramer (2004, p. 25) considers systematic market data acquisition to be an important manifestation of marketing orientation of companies.

2. Methodology and the research attempt characteristics

The fundamental purpose of the study is the attempt to evaluate selected aspects of marketing activity of logistics service providers^{*}. The study focused on determining: the place of marketing in the organizational structure; the manner of organizing marketing services, the respondents' attitude towards the market research and the share of expenditures on marketing in the total expenditure. The undertaken research question was carried out on the basis of direct studies conducted with the use of online electronic surveys during the period from September to November 2011. The survey questionnaire consisted mainly of closed-ended dichotomous and cafeteria questions^{**}. In the case of questions about expenses the answers were to comply with the information referred to in marketing or sales plans regarding the year 2011. The majority of respondents provided details regarding that issue.

In consideration of the limited financial and time possibilities, the studies based on purposive sampling method were to concern a group of 100 companies^{***}. The sample selected included entities representing strategic groups of transport and logistics branch^{****}. The questionnaire was addressed to a sample of 1046 companies; 107 entities responded^{*****}.

* Note that the current studies carried out in the domestic market have not referred to transport and logistics branch (such as: Szostek, 2012; Gieracz, 2009).

** A filtering method was also used in a questionnaire. The questions about: the type of organizational structures, the motifs for TSL market and marketing budget research, were answered by a purposefully selected group of respondents.

*** Literature on market and marketing research assumes that any regional studies or studies of a company involved in specialised activity should require the use of a sample whose minimum size exceeds 50 (Churchill, 2002, p. 562). Purposive selection of a sample consists in the selection of entities entered into the sample by the researcher on the basis of the knowledge of the population under study (Szreder, 2010, p. 50).

**** The structure of domestic transport and logistics market divides into the following strategic groups: logistics operators, courier companies, road and rail freight and shipping companies, small freight car carriers and road freight forwarders (Rydzkowski, 2011, p. 68-70).

***** The basic source of data concerning the domestic transport and logistics market is the annual transport and logistics ranking published in a supplement on transport and logistics to Rzeczpospolita daily. In 2012 the online questionnaire was filled in by 61 transport and logistics companies (Brdulak, 2012, p. 26-27).

Characterizing the range of services delivered, the respondents answered multiple-choice questions. They mostly pointed to the services of transport, freight forwarding, and storage (Figure 1). Nearly half of the companies offer solutions of supply chain management and contractual work. Over 40% process the customs clearance. Many of the companies offer the VAS services related to the reverse logistics, cross docking and co-manufacturing. Almost 18% of respondents declared the express parcels processing. The respondents also pointed to other services, e.g.: rail depots maintenance, multimodal transport, insurance, document management, customer service and financial or marketing services.

Road transport appeared to be the main source of income for more than 36% of the research participants. Almost every fourth company derives the largest income from freight forwarding, primarily from organizing the freight road transport (13%). Storage service and logistics services sale are business domains of 13% of the surveyed companies. 5% of companies specialize in postal and courier services, and 7% pointed to customer service and air transport. 3% of respondents declared that their main source of profit is the intermodal transport.

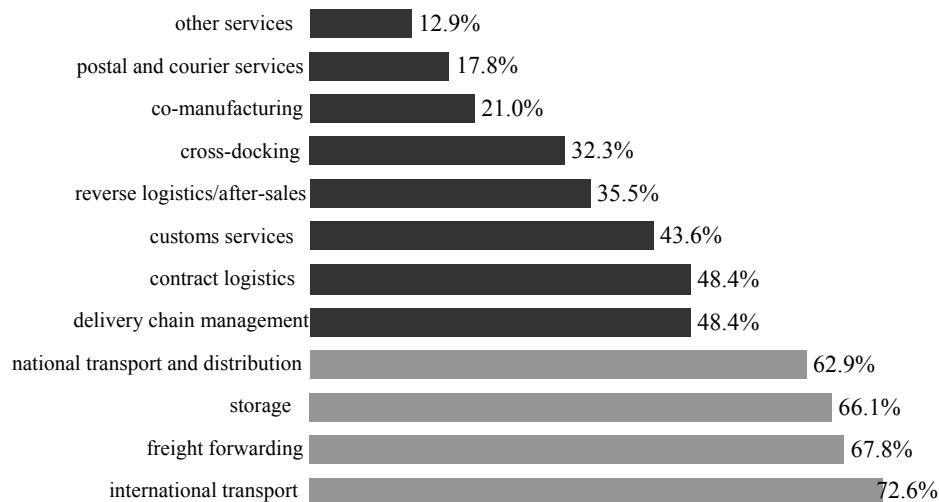


Figure 1. Range of the TSL services

The surveyed companies are primarily operators of an international range. More than 40% of respondents declare an activity in the European market, while 36% admitted to the global logistics services. Only every fifth participant limits the activity to the national market.

The study included companies with a diverse employment. Over 50% of the sample were medium and large enterprises employing up 250 people or more.

Every third researched subject proved to be a small company employing 50 people. The least numerous group turned out to be microenterprises.

The representatives of the companies participating in the study were mostly senior and middle management workers. Most respondents declared to be employed as directors of marketing, trading or selling. Besides them, the study involved workers employed in managerial positions (they were mostly managers of marketing, public relations, and sales) and finally the operational level staff (marketers, retailers, sales representatives, shippers).

3. The marketing organization in the tsl enterprises

The organizational structure of companies surveyed is dominated by the sales model. Frequently, companies have a simple sales department or retail department with auxiliary functions of marketing (Figure 2). These companies are in an early stage of marketing organization evolution (Niestrój, 1998, pp. 188-189). In this type of structures, marketing activity is identified with the sales activation. Even if the employer employs marketing staff, their responsibilities are very often connected to the implementation of sales plans, negotiating the sales terms and conditions, preparation of tenders, dispatching the information materials, etc. The research shows these are typical solutions for small and medium-sized businesses operating on the TSL market (transport, shipping, and logistics). It must be emphasised that the study results do not differ from the present perception of marketing in other companies operating in Poland. 50% entities under the study of 350 companies representing different economic sectors declared the fact of organisational structure marketing (Szostak, 2012, p. 6).

Large logistics companies are much more likely to have a marketing department (almost 58% of responses). Usually, there is a system in which the marketing and the sales work in parallel. Practically, effective realisation of business purposes requires their total integration as a part of implemented market strategy (Malshe, 2011, p. 45; Hughes, Bon et al., 2012, pp. 59-60). Respondents declare that the cooperation of marketing services with other departments work well (66% of responses)*.

* However, a conflict of marketing purposes with the implementation of sales plans is present in many companies.

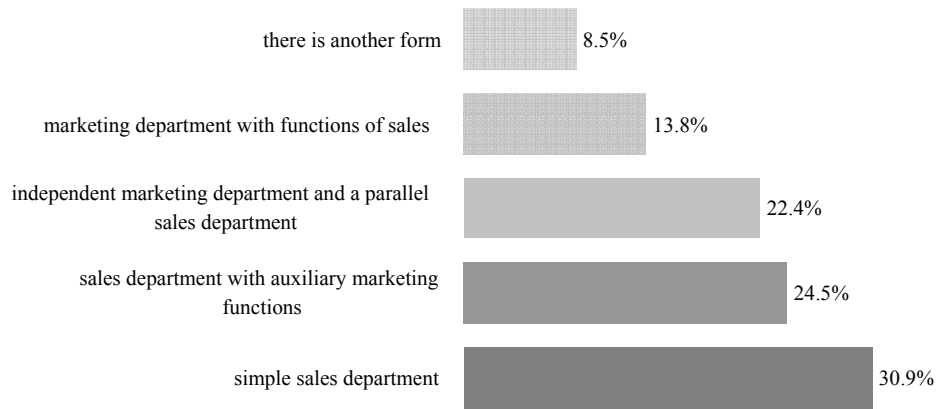


Figure 2. Marketing organization in the studied companies

The modern business model, where marketing integrates sales and customer service activities, is declared by every seventh participant of the study. He or she is employed by a large logistics company that operates on the global market.

In a survey, respondents also pointed to other forms of marketing organization. In the opinion of more than 8% – marketing and sales are dealt with by shippers or other operational staff.

The data show that the TSL sector companies apply a functional structure of marketing, in which particular tasks (e.g. sales promotion, market research, advertising) are assigned to the appropriate subjects/job positions (Figure 3). The studies indicate that functional infrastructure provides favourable conditions to organise more effective marketing actions which would stand out against the competition. Nevertheless, the coordination of marketing and other areas of the company activity seem to become a significant problem (Moorman, Rust, 1999, p. 181).

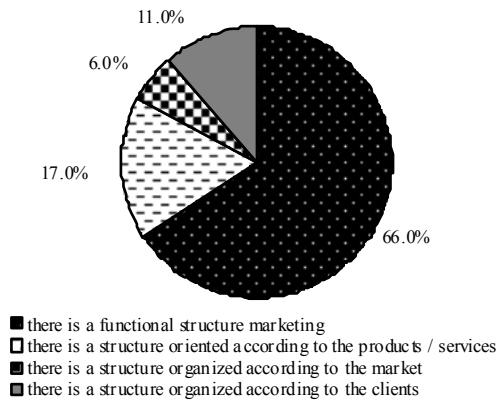


Figure 3. Types of organizational structures in the TSL industry

17% of companies surveyed work according to a structure that is a category of product – oriented (logistics services). This type of activities requires specialized job profiles responsible for marketing of services: courier, freight forwarding, main freight, storage, etc. Employees coordinate the overall marketing activities related to the offer assigned to them (Garbarski, 2011, p. 317). The next 17% indicated on a structure that is customers or markets – oriented. Research indicates that this is the way of operation of medium and large companies that adapt the marketing efforts to the serviced segments characteristics (market sectors).

The marketing management in the surveyed companies is centralized (Figure 4). Frequently, the marketing director or manager reports directly to the Management Board (47%) or the General Director (39%)*. Nearly 90% of respondents confirm the fact that there is only one central marketing service, which brings together all the marketing activities and processes**. This unit works for the entire organizational structure, both in the case of companies with one central branch, and companies with an extensive network of branch offices. Only a few participants pointed to the two-level model of marketing, in which the basic tasks are processed by the headquarters, and others – in branches/sections. These respondents appeared to be the employees of large companies offering global and comprehensive logistics service. An equally rarely used solution is a decentralized model, in which marketing decisions are made by the regional managers.

* In 11% of the surveyed companies, a sales director deals with the assessment and control marketing.

** According to A. Laing and L. McKee (2000, p. 577), contemporary companies, in particular international ones, decide on marketing centralisation within their structures more and more rarely.

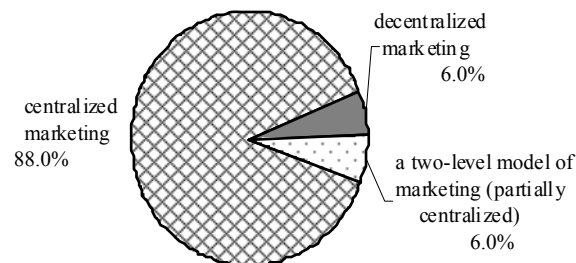


Figure 4. Marketing placement in the structure of the studied companies

The respondents declare that, most commonly, 1-2 people are employed in the marketing cells (47%). In 30% of the analysed cases, the marketing department consisted of 3-4 employees, and in 23% – of 5 or more persons. According to the data, the number of employees is determined by the size of the enterprise. The more developed was the organizational structure of a firm the more employees were responsible for its marketing activities. In the case of large companies (employing over 250 people with annual revenue exceeding 500 million pln) the employment in the marketing was of 8, 12 or even 15 people.

Currently, the leading logistics operators offer a number of varied positions related to the marketing and sales – from marketing director or manager, through sales manager, logistics solutions sales specialist to a marketing and sales specialist, a communication and CSR specialist, a marketing and promotion manager, and finally key account manager.

4. Marketing role in the tsl enterprises

Among the surveyed companies, marketing is treated as a support of the sales process (Figure 5). Frequently, the activities of sales support integrate the direct marketing tools and activate sales forces in the whole supported market to cooperate (Nawrat, 2004, p. 31). This type programs include: ATL instruments, telemarketing, mailings, e-mailing, and also various image-building campaigns carried out during sports events, cultural events, trade fairs and logistics conferences*.

* Their main objective, however, is to improve the trade indicators.

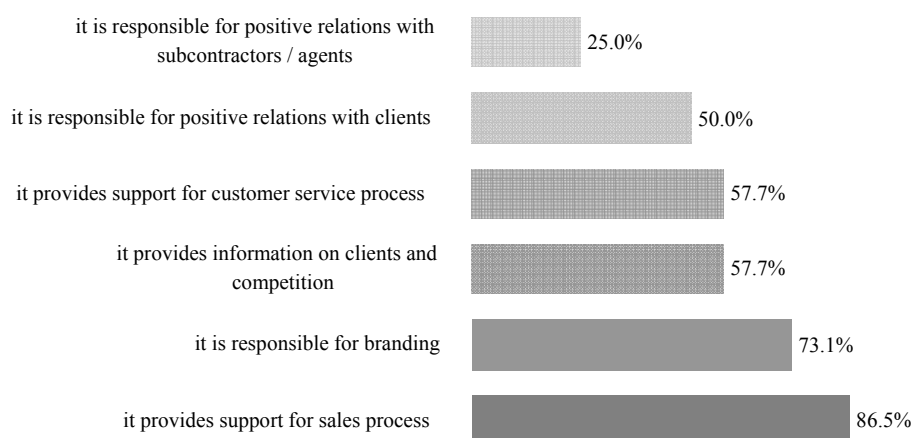


Figure 5. The role of marketing in the TSL enterprises

In most companies, the role of marketing in the process of customer service is noticed, but only every second respondent pays attention to the need of building relations with marketing tools. It should be emphasized that the TSL market is an area where a relations marketing has a wide range of applications, and the final result of the enterprise is affected by every customer (Witczak, ed., 2008, pp. 5-6). The experience of many companies shows that relations marketing is the most effective way of strengthening customers' loyalty. A key challenge is to skillfully manage partners relations, to explore new forms of cooperation and to take care of a faster, clearer and fuller information exchange (Maciąg, 2009, p. 49).

The results show that 75% of respondents do not see the role of marketing in building relations with business partners (agents). Over 70% believe that marketing is responsible for the company's "reputation" in the market. Most, however, do not notice the impact of partnership on image shaping. From this perspective, the aim of marketing is the promotion of partnership agreements with an additional benefits and integration of activities of mix marketing within the SCM and CRM strategy. The market position improvement is also possible through collaboration with the leaders of intralogistics solutions, the well known suppliers of IT software, the leading developers of storage space, or as a specialized subcontractor of 4PL or 5PL operators.

The respondents also declare that the role of marketing is to gain information on the market situation. However, they admit (over 60%) that this type of research is rarely carried out or it is not of managers interest at all (see Figure 6). The study results indicate that transport and logistics branch managers, as well

as other entrepreneurs involved in their business activities on domestic market, do not notice the usefulness or doubt the functionality of research projects*. It should be emphasized that the low efficiency of research (due to poor quality of research projects, misinterpretation of data or customers' dishonest declarations) and the lack of estimation of relation between the expenditure and the value of the company, are the most common allegations against marketing (Kozielski, 2009, p. 36). Only 38% of respondents admit to systematic market research. Usually, they are the employees of medium and large enterprises (> 70%) with a separate marketing department (> 50%).

An analysis of customers preferences and satisfaction and an evaluation the logistics services standards are the most common reasons to carry out marketing research. As pointed out by D. Kempny (2010, p. 10), the research on purchasing behavior and the market standards are one of the main methods of tracking changes in logistics service. A cognition of competition's behaviour appeared to be an important research task. 50% of respondents admit to monitor the market activity of their rivals. Every third surveyed company analyzes its market position and examines the level of logistics services price differentials. Less popular occurred to be the research on: customers' loyalty (> 28%), market dynamics (> 25%) and customer response to the news on the market (> 21%). The respondents were least likely to admit to examining the effectiveness of marketing programs (< 10%).

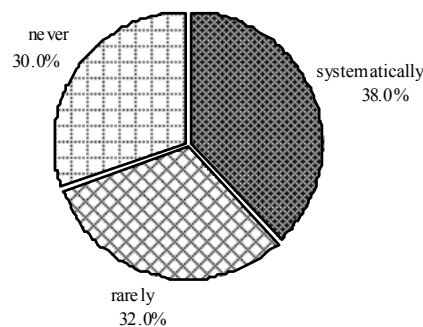


Figure 6. Frequency of researching the market by the TSL enterprises

Most often, marketing departments have a small budget (Figure 7). In the opinion of more than 38% of respondents, the share of marketing expenditure in

* The results of the study conducted by D. Szostak (2012, p. 7) indicate that more than 70% companies (production, commercial, service companies) do not conduct or commission marketing studies.

the total expenditure stands at 1-2%. In 18% of cases, the marketing activity accounted for 3%-4% of total expenditure. Higher expenditures on marketing were declared by only 16% of the survey participants (marketing consumes from 5% to 10% of the company budget). Although the majority of companies surveyed have an annual marketing plan, more than ¼ of the respondents did not answer the question about the marketing expenses.

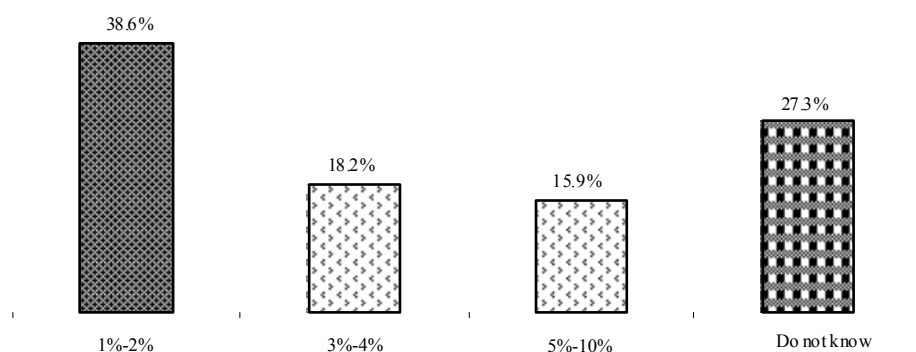


Figure 7. Participation of marketing expenses in the total expenditure of the surveyed companies (annually)

A difficult for the industry period of a downturn and the accompanying need of costs reduction, did not negatively affect the operation of most marketing departments. Over ⅓ of respondents declared that in recent years the marketing budget remained unchanged. A large group of enterprises financed a marketing and used the crisis to emphasize its presence in the market (> 33%). Only 13% of the surveyed companies reduced marketing costs, where less than 9% – only slightly. The results show that the decisions to reduce the mentioned costs were taken mainly in the micro and small enterprises. Large companies often claimed to increase the marketing budget (> 47%).

The insecure economic situation and the consequent threat of losing customers, encourage the TSL companies to increase spending on marketing*. More than 46% of respondents expect that, within the next few years, the level of investment in the development of marketing will be increased, out of which 13% believe that marketing departments will operate on a much higher capital than at present (Figure 8).

* It is assumed that in 2012, the sales growth dynamics in the market of logistics services will decrease by 4 per cent points, compared to 2011 (Szreter, 2011, p. 102).

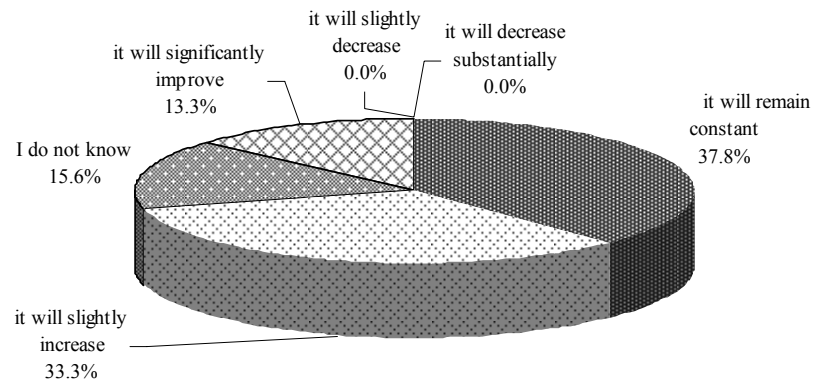


Figure 8. The respondents assumptions concerning the marketing budget for the following years

Almost 38% of respondents declare maintaining stable budget. No company plans a reduction in spending on marketing activities. Also in this case, the respondents employed in large companies with the income of more than 100 million pln were more optimistic in their responses.

Conclusions

According to the obtained results it can be noticed that marketing does not play a significant role in the enterprises of the TSL sector. It is regarded as an auxiliary function and sales support instrument, which confirms the weak marketing orientation of LSPs. The industry is based on the sales model without a clearly outlined marketing concept. This is a typical way of operating by not only small but also medium-sized transport and logistics companies. Large LSPs often have a separate marketing cell. Usually the marketing activities are organized based on the simplest criterion of a function. The marketing managing is done centrally, regardless to the size and scale of activity of the surveyed companies. A process approach is rarely present. The researched companies are not interested in the systematic acquisition of market information. The effectiveness of the marketing campaigns is studied by less than 10% of respondents. Only every second company recognizes the impact of marketing on building positive relations with customers. The role of marketing in managing the relations with suppliers is not noticed either (including the carriers). As a matter of fact, the branch situation does not differ from the condition in other economic sectors.

The low expenditure on marketing activities can be considered as the primary obstacle in the marketing development. However, it should be emphasized that a large group of respondents sees the need for intensification of marketing activity. Most likely, the expected decline in demand for logistics services as well as prevailing market nervousness, encourage businesses to invest more in marketing. For the near future, the examined firms are interested in improving their market positions, distinction of their offer from the competition, and, in particular, an increase in the customers' loyalty.

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