

Competition in logistics market – conflict and cooperation

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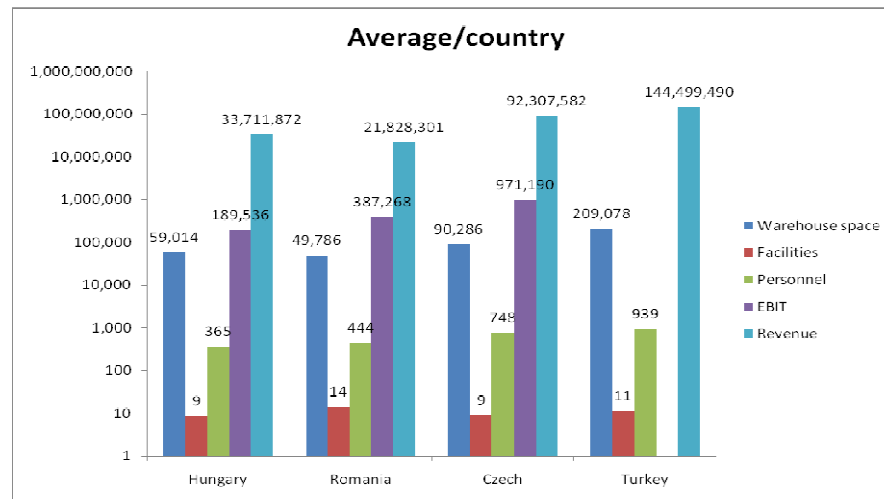
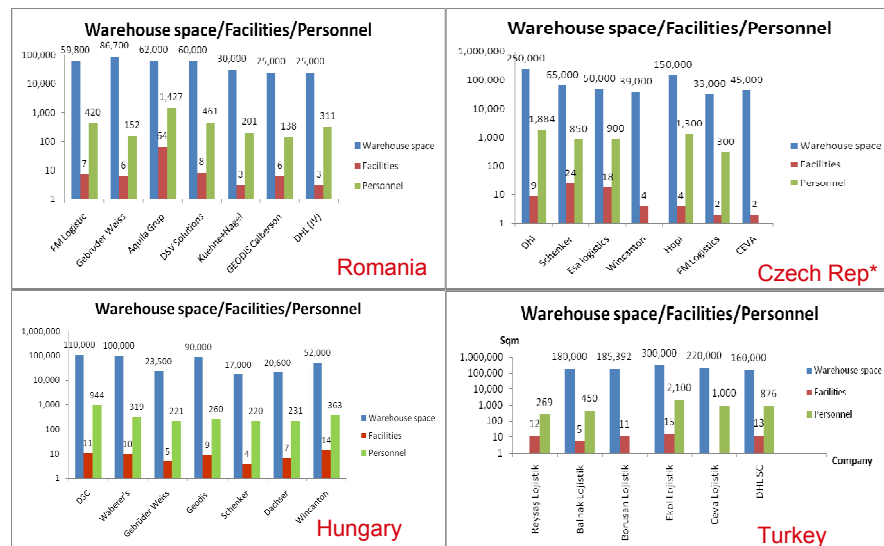
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Abstract

This poster is an overview of the Eastern European logistics market (including the main competitors) and how companies managed to obtain competitive advantages. Their strategies evolved from strong competition and conflict situations to alliances, joint ventures and other forms of cooperation. We used a mathematical model to explain the correlation between Logistics Company's revenue and market strategy applied to overcome their competition.

For this study we choose the 5 main Logistics Service Providers (LSP) from 4 countries (Romania, Hungary, Czech Rep and Turkey) and compared them in terms of warehouse space, facilities, personnel, revenue, and EBIT.



As we can see from hereunder SWOT analysis, strengths and opportunities create and increase competition among LSPs resulting in different conflicts. Nevertheless LSPs take also into consideration weaknesses and threats that can affect their business and this is a real incentive for a better cooperation.



One of the best examples of cooperation in the EU area is [The Alliance for European Logistics](#) (AEL), an industry coalition that brings together both major providers of logistics services in Europe as well as global companies that rely on efficient logistics for the successful execution of their business operations. Its current membership consists of AIR FRANCE KLM Cargo, BASF, Group Carrefour, CEVA Logistics, Deutsche Post DHL, eBay, Hapag-Lloyd, Hutchison Europe, IVECO, Kuehne + Nagel, Michelin, Motorola and SAP. We identified the following advantages resulted from this global collaboration:

- ✓ Increase portfolio on clients;
- ✓ Offer customized solutions for new customers (e.g. transport & warehousing solutions);
- ✓ Develop & maintain long term partnership with clients
- ✓ Cross sites interactions;
- ✓ Cross region interactions;
- ✓ Outsourcing Strategies: (Identify 3PL's available; Compare rates, quality and assists available; Sort and filter 3PL's = Set a contingency plan);
- ✓ Seeking opportunity to gain long term exclusive contracts using an advantage of our experience in similar sector (within country) and with same client (in another country);
- ✓ Increase retention rate on the existing customer base;
- ✓ Identify the optimal service level/ price ratio;
- ✓ "Costs killing" strategies;
- ✓ Implement a unique warehouse management System;
- ✓ Optimize the number of own facilities and tools.

Mathematical model

$LSP\ revenue = a + b * EBIT\ from\ LSP\ alliances + c * EBIT\ from\ LSP\ own\ business$

$LSP\ revenue = 34 + 29 * EBIT\ from\ LSP\ alliances + 16 * EBIT\ from\ LSP\ own\ business$, where regression values are:

Intercept	Coefficients	Standard error	t Stat	P value
EBIT from LSP alliances	29	2.1	3.3	1.2
EBIT from LSP own business	16	1.9	2.4	1.1

This mathematical model explains that earnings before income and taxes (EBIT) from Logistics Service Providers (LSP) alliances have a higher impact on LSP total revenue compared with EBIT from LSP own business.

References:

- Andrei Angheluta, *DHL SUPPLY CHAIN major competitors in Eastern Europe*, Graduates project presentation June 15th, 2010
- <http://www.logistics-summit.eu/index.php?page=alliance-for-european-logistics>