

# CONDITIONS FOR IMPROVING THE FUNCTIONING OF LOGISTICS IN COURIER COMPANIES

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ABSTRACT This article presents the essence of courier services in relation to the changes taking place on the logistics and transport services markets. The subject of this article is of a theoretical and practical nature. One of the most important aims of this work was to provide information on the improvement of competition and logistics of DHL's operations on the international and Polish courier services market, as well as the concept of implementing new organizational, management and logistics solutions into the structure of a selected logistics company.

## Methodology of researches

At the beginning of the article, the author presents his considerations on the essence and place of logistics in the economy and also in the courier services. Besides important functions in the economy, logistics enables the increase of effectiveness of operation and development in courier companies. It is particularly important in delivering medicines, documents and other urgent items.

Logistics plays an extremely important role in the concept of integrated management in modern companies (including courier companies).

In the further part of the article, the author presents the circumstances of entering the Polish market by DHL company and the conditions of good operation and development of this company on the courier services market. Such factors as huge warehouse and transport potential of DHL, possession of ISO certificate for rendered services, realization of big investment program, possession of wide distribution network in courier services, numerous, dextrous, efficient personnel are the most important determiners of market success of this company. Services rendered by DHL, in comparison with services provided by RGW Express, TNT Express, FedEx, InPost, Opek, Master Link, are highly appraised and accepted by the customers.

The final part of the article contains the author's results of researches on the quality of courier companies' work in the 2017, financial results and estimation of investment needs of the examined company for the years 2018–2025. DHL company gains annually in its financial result more than 1 billion of Euro and therefore is able to dedicate approximately 400 million of Euro to its own investments and realize ambitious development plans.

### **The essence and place of logistics in the economy**

According to P. Blaik (2001, pp. 20–21) logistics is the process of exchanging data, information, and goods between contractors, as well as adequate control leading to effective planning of integrated logistics systems in this process. The creation of new goals in logistics is intended to help solve new practical issues concerning strategy of given companies and individual customers. Thanks to the introduction of basic logistics tools to every business strategy, it becomes possible to obtain a new, better quality that guarantees acquisition of new customers, and thus the chance to become the leading operator in the logistics market (Szpon, Dembińska-Cyran, Wiktorowska-Jasik, 2005, pp. 13–14). Today, there can be observed widespread internationalization of logistics tasks and functions in the sphere of modern economy. This applies to both the structure, as well as wider logistics activities. In order to improve company efficiency, it is advisable to cooperate in larger economic systems, e.g. the European Union, where cooperation with partners in the supply chain called "Eurologistics" is characterized by:

- framework conditions for the functioning of the economy of particular countries due to the creation of a European "Common Market",
- introduction of agreed operating structures including appropriate legal, organizational and technical regulations on this market".

P. Blaik (2001, p. 20) thinks that the importance of logistics can be expressed in the following three perspectives:

- a) "conceptual and functional aspect, where logistics can be understood as a certain concept of managing the flows of goods and information, in the sense of a set of methods and functions concerning planning, managing organization and control, which are based on integrated and systemic recognition of these flows;
- b) subject-structural aspect, where logistics can be treated as an integrated process of good and information flows and a specific complex of structural undertakings and solutions related to the integration and implementation of these flows;
- c) efficiency aspect understood as a certain orientation and determination of efficiency increase, directed towards offering customers the desired service;
- d) the level and quality of logistic services, with simultaneous rationalization of the logistics costs structure and the increase in the overall efficiency of management in enterprises".

All of the above-mentioned aspects are necessary for proper preparation of the company, including its entry into the logistics market and better functioning. However, it is important to remember that the most necessary aspect for modern companies is the concept of efficiency (apart from the functional aspect). If companies want to develop further, they should be able to increase their turnover, improve their participation in the serviced market and market offer, as well as strengthen their competitiveness. Such types of behaviour of modern companies are a challenge and a necessity to create opportunities for further development.

With every year, the meaning of the word 'logistics' is becoming more and more complex; it is developing and taking a new form with the smallest and least important elements, which in the past seemed unnecessary, becoming the basis for creating new logistics processes, that are indispensable in order to create an effective logistic system for modern business entities (Blaik, 2001, p. 22).

### **The need to support modern company management with logistics instruments**

Logistics management of modern enterprises, both on the European and Polish markets, is based on the process of making rational decisions by people who have been designated to do so in order to effectively optimize the entire supply chain process for a specific product or service offer. Striving to achieve the desired goal by optimizing company costs without compromising on manufactured product quality, ensures effective service throughout the rational business management process.

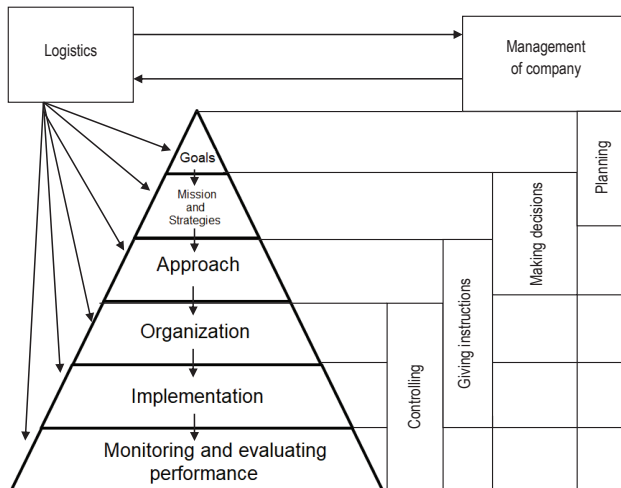
In order to properly manage the whole process, companies use appropriate logistics instruments which include, among others:

- planning the entire process, from beginning to end,
- efficient distribution of information,
- continuous process monitoring,
- optimal planning of unit process,
- coordinating the work of given entities,
- effective and efficient customer service (Więcerzycki, 2009, pp. 260–285).

Logistics in business management allows for strategic, far-reaching goal setting, which will result in fast and efficient company development – as shown in Figure 1.

The management of modern companies is also understood as the introduction of new organizational functions into their systems, that is, improving the existing solutions, among others, through proposals presented by W. Janasz (Janasz, Koziol, 2006, pp. 15–30). The author proposes the so-called know-how, as well as modernization and rationalization aiming at a more effective flow of information and goods between contractors. Therefore, the implementation of this method should guarantee a company a big competitive advantage and become one of the most desirable undertakings of companies in the logistics market.

The ongoing increase in complexity of logistics systems forces companies to outsource logistics services to specialized logistic companies from the TSL (Transport-Shipping- Logistics) sector (Perenc, 2017, pp. 47–58). Until recently, in order to send products to the customer, it was enough to order transport or forwarding companies to carry out this task. At present, there can be observed an interest in a more extensive range of logistic services that solve problems in a comprehensive and more efficient manner. Examples of such courier companies are, e.g. DHL, DPD, and DB Schenker, which specialize in TSL services (Marcysiak, Pieniak-Lendzion, Lendzion, 2013, pp. 29–38). The growing popularity of this new phenomenon is favoured by the significant increase in warehouse



**Figure 1.** The scope and possibilities of impact of logistics on the basic spheres of management and operation of the company

Source: Blaik (2001), p. 56.

space for rent, as well as the growing confidence of companies about the benefits that stem from the involvement of an external supplier”.

### DHL on the courier services market

DHL company was founded in San Francisco in 1969 by Adrian Dalsey, Larry Hillblom and Robert Lynn (DHL, 2017).

The success of DHL among courier companies has allowed it to become one of the most significant carriers on the market, a fact which, in turn, made it possible to clearly highlight its services, including:

1. A courier company that specializes in the aviation industry, services the foreign companies in a small part, and uses land transports.
2. DHL focuses on the international transport of goods, and at the same time limits domestic courier services.
3. DHL mainly delivers paper (documents) and items of high industrial value.
4. The company has completely resigned from the transport of dangerous goods, human and animal corpses, as well as from goods which do not comply with rules in individual countries (DHL, 2017).

By expanding its services, DHL is becoming increasingly important in the market. Moreover, it is more competitive, with the DHL brand becoming much more recognizable in the industry. As the service of delivering documents is becoming insufficient for potential customers, DHL has introduced “Small Parcel Express” service. The introduction of this new solution allows sending small parcels by various modes of transport on the territory of the country on the day of order, or at the latest the next day, while international shipment should take two to five days, depending on the type of transport. The popularization of this service on an international scale resulted in a rapid change of the name of this service to “Worldwide Parcel Express” (WPX) (DHL, 2017).

A few years later, i.e. 1979–2000, DHL opened its offices in Africa and Europe, including Poland. After 10 years of operation, the company has 360 logistic centres and cooperates with over 85,000 customers worldwide. Thanks

to having its logistics centres in almost all countries in the world, the company brings a new dimension to customer service and creates new service for them that allows distributions of parcels and global transport, i.e., WorldMail.

### **A given courier company enters Europe and Poland**

In order to keep up with the technological progress around the world that took place at the end of the 20th century, DHL began to invest in its logistics centres. The first goal in the four-year investment programme (2012–2016) was to automate every centre, whereas in the next years, the company decided to invest in:

- warehouse equipment,
- the latest computer software,
- fast information flow,
- direct information transfer,
- infrastructure and rolling stock,
- mobile applications for phones and other devices.

Although the four-year investment programme for 2012–2016 cost almost USD 100 million, it brought substantial benefits for the company, among others, ISO certificates, the award for the implementation of ecological strategies, and purchase of Boeing 757 freighter, thanks to which deliveries took only a day, which in turn contributed to cooperation with a larger number of clients and the chance to compete with various courier companies (DHL, 2017).

At the beginning of the 21st century, DHL joined forces with NWA Cargo to completely take over the entire Asian market and save their customers from having to spend millions of dollars on secure, effective and fast courier services

In 2002, Deutsche Post bought 51% of DHL's shares, and thus became the principal shareholder of DHL (2017). This strategic merger has increased the competitiveness of this courier company.

The constantly developing DHL has become a leader on the international courier service market, and above all in the aviation industry, possessing the latest technology and maintaining high quality of customer service. Constant investments in the company made it possible to improve the entire logistics process and met all customers' requirements, while increasing its functionality and competitiveness.

In 1984, DHL Worldwide Express, the biggest delivery company in the world, took advantage of the untapped reserves in the courier service industry and started providing its services on the Polish market. The cooperation between DHL and Cargo, a Polish shipping company, made it possible to take over a significant part of express international courier services and control this part of the courier service sector in Poland (Pliszka, 2008, pp. 113–114).

Since 1989, i.e. the beginning of socio-economic reforms (initiated by L. Balcerowicz), the courier service market in Poland has been creating an adequate industry structure related to delivery. Free market standards initiated by the Polish government allowed the creation of new domestic courier companies such as:

- Masterlink Express,
- Kurierserwis,
- FedEx,
- Stolica,
- InPost,
- Opek (Pliszka, 2008, pp. 119–120).

Removing barriers on the Polish courier service market widened competition exerted by foreign companies, as it attracted the biggest courier companies in the world. Favourable conditions on the Polish market allowed foreign companies to create and develop logistics centres, organizational units or departments, as shown in Table 1.

**Table 1.** Representatives of the largest foreign courier companies in Poland

Company name	Country with the company's registered office	The year of the establishment of a branch in Poland	Service		
			Local	Domestic	Foreign
DHL Worldwide Express	USA	1984		x	X
RGW Express	Germany	1990			X
TNT Express Worldwide	The Netherlands	1992		x	X
Airborne Express	USA	1996			X
FedEx	USA	1997			X
OCS	Japan	2002			X
United Parcel Service	USA	2005	x	x	X
Direct Parcel Distribution	Germany	2007	x	x	X

Source: Pliszka (2008), pp. 113–114.

There are 3 branches operating under the DHL brand name:

- DHL Global Forwarding Sp.z.o.o.,
- DHL Express Polska Sp.z.o.o.,
- DHL Exel Supply Chain Sp.z.o.o (DHL, 2017).

DHL Global Forwarding was established as a result of a merger of Danzas and Cargoline, which started new and continued previous activities of Deutsche Post World Net under the name DHL Logistics (Ciesielski, 2005, pp. 148–159).

The merger of Worldwide and Deutsche Post initiated the creation of DHL Express. At the end of 2005, DHL extended its offer with additional economical services of Exel, and thus became the undisputed leader on the Polish courier service market (DHL, 2017).

DHL Supply Chain specializes mainly in:

- analysing customers' requirements in order to meet them,
- the structure of good storage,
- helping organize the entire supply chain,
- tailoring their goals to the nature of the needs of a given client (DHL, 2017).

In Poland, DHL Express has: registered office in Warszawa; 6 innovative sorting plants (3 express and 3 general cargo) among others in: Warszawa, Zabrze, Głuchowo near Poznań; over 40 terminals (including in Przecław near Szczecin); 68 offices; 84 distribution centres; 6 air cargo sorting plants; over 5,200 employees; about 50 customer service centres; 180 DHL Service Points; 3 airplanes; 6 customs agencies; and over 620 connections between terminals (Duszczuk, 2017).

## The necessity of further investing in the development of courier companies

The most important investment will be the creation of an ultramodern airport terminal in Okęcie for the international shipping market. This investment will cost almost PLN 100 million, and its aim is to summarize the 25 years of operation in Poland, as well as increase popularity among its local clients. The terminal in Okęcie will serve numerous functions:

- a) take-off and landing area for airplanes with shipments;
- b) sorting plant for air freight;
- c) customs.(standard courier terminal (Duszczuk, 2017).

All these innovations and investments are implemented in order to meet the customers' requirements, and provide them with highest levels of satisfaction when making a delivery with DHL. The most important benefits for the customer include:

- reducing service time of customers and their shipments,
- high quality with relatively low service prices,
- complete handling of shipments (especially foreign ones),
- all-time tracking of shipments,
- complete control over the transport process.

Research on courier service quality conducted by Polski Instytut Badań Jakości in 2017 included such companies as: DHL, DPD, FedEx, GLS, Inpost, Pocztex, UPS (PIBJA, 2017). Synthetic evaluation revealed high position of DHL in this ranking, which is confirmed by the results presented in Table 2.

The assessment and final evaluation of the final research carried out by Instytut Jakości helped to choose the “best” courier company – i.e. DHL, which, according to the conducted research, may offer the best service conditions, as well as meet and satisfy the expectations of demanding customers.

**Table 2.** The final assessment of the courier companies research conducted in 2017

Number	Company	Result (%)	Information
1.	DHL	88.5	4.4/Very good
2.	Inpost	86.3	4.3/Very good
3.	UPS	85.5	4.2/Good
4.	Pocztex	82.6	4.0/Good
5.	DPD	81.9	4.0/Good
6.	GLS	72.9	3.4/Good
7.	FedEx	65.9	2.9/Satisfactory

Source: PIBJA (2017).

DHL strives to be a modern company that cares not only about their customers, but also the environment in which it operates (DHL, 2017).

However, in order to achieve this, it needs significant investment funds, which are shown in Table 3.

**Table 3.** The estimate of the financial resources needed for further development of DHL until 2025

Detailed list	Years				
	2017 (performance)	2018	2019	2020	2025
Income	EUR 14.9 bn	EUR 16.1 bn	EUR 17.5 bn	EUR 19.1 bn	EUR 21.01 bn
Costs	EUR 14 bn	EUR 1 bn	EUR 16.4 bn	EUR 17.9 bn	EUR 19.7 bn
Financial result	EUR 885 m	EUR 1 bn	EUR 1.1 bn	EUR 1.2 bn	Euro 1.3 bn
Net profit	EUR 633 m	EUR 775 m	EUR 904 m	EUR 1 bn	EUR 1.2 bn
Own investments 80–90%	EUR 334 m (80%)	EUR 350 m (82.8%)	EUR 376 m (84.5%)	EUR 390 m (87.8%)	EUR 450 m (88.9%)
Loans 10–20%	EUR 67 m (20%)	EUR 60 m (17.2%)	EUR 58 m (15.5%)	EUR 47.5 m (12.2%)	EUR 50 m (11.1%)

Source: own estimate based on the results achieved by DHL.

Assuming that DHL's strategy foresees 8% change in income and costs between 2017 and 2018, the financial result is projected to be about EUR 1.2 billion a year, which will generate profits at the level of EUR 775 million. By investing in the further development programme, the company will want to allocate a total of EUR 410 million for further expansion in 2018.

## Conclusions

The deliberation presented in this article can lead to the following conclusions:

1. Logistics service can be defined as commercial performance of forwarding, transport and storage services as well as related services, and processes supporting the flow of goods between the links in the supply chain.
2. Modern logistics management helps improve circulation of goods, information services regarding logistics processes, and competitiveness of logistics companies.
3. DHL entering the Polish courier service market in 1984 significantly increased competitiveness on this market.
4. The synthetic evaluation of courier service quality from 2017 revealed a very good assessment of the services provided by DHL, as compared to services provided by InPost, UPS, Pocztex and DPD.
5. Improving the offer and strengthening the competitive position of DHL requires spending approx. EUR 410 million in 2018, and approx. EUR 500 million in 2020, which will improve its operation.

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