LOGISTICS SERVICES MARKET OF UKRAINE

YULIYA Taranenko [1]

Taras Shevchenko National University of Kyiv

Abstract

This article highlights the current state and defines factors that influence on effective functioning of logistics services market. As a result of the performed research it has been determined countries, which have the most advanced logistical systems, countries that are export and import leaders of logistics services and is presented segmentation and international classification of logistics services, also are considered the features of Ukraine's logistics system. The study shows the comparative analysis of the logistics systems of Germany and the Ukraine.

Keywords*: logistics, logistical system, logistics services market, Logistics Performance Index, freight services, logistics market structure.*

JEL classification: *C80, E 27*

1. Introduction

Nowadays, logistics has become an integral part of entrepreneurial strategy, especially for organizations or industries that are oriented to the international market. Globalization of the economy has caused competition among the enterprises by location and placement. Besides, trade terms suggest implementation of new and rapid changes. Enterprises' merging and intensive development of information and communication systems only enhance these processes. Under such conditions, the interaction between organizations and enhancing their economic efficiency is based exactly on logistics. That is caused by increasing the role of logistics services in the modern global market.

[1] *PhD. Student Taras Shevchenko National University of Kyiv, Kyiv, Ukraine, JuliaTV@ukr.net*

That is why in these latter days logistics services' volume of growth rates, that are typical for developed countries began to be observed already in almost all countries, which involved in the world trade of goods and services.

2. Analysis of recent researches and publications

Ukrainian and foreign scientists were engaged in the features of logistics market development, in particular N. Aksenenko, J.-F. Arvis, J. Burnevits, E. Bykova, V. Vynnykov, I. Zhelyabin, M. Zelenets', A. Kyzym, M. Christopher, B. Lapidus, A. Misharin, T. Nauli, A. Novykov, H. Pek, H. Rudenko, J. Waters, and others.

They believed logistics services as the most important service sector of the world market. V. Vynnykov in his paper (Vynnykov, 2004) carries out the analysis of international experience of logistical systems organization. J. Waters investigates organizational aspects of modern logistics market development and emphasizes the factor of enterprise integration within supply chain (Waters, 2003).

Segregation unsolved before parts of the general problem. Despite the considerable number of investigations, there are several problems that serve as discussion and debates subject of academic economists. This indicates world logistics market's turbulent and dynamic development, taking into account the activities of companies, which occupy a leading position on this market.

The purpose of this paper is the research of the current state and determining factors that influence on logistics services' efficient market functioning.

3. Comparative analysis of market of logistics services Ukraine and the leading countries of the world

Logistics Services is a specific item of goods that are bought and sold in the international transport markets. They vary depending on the kinds of transport, freight geographic areas and types of transported cargoes.

The main demand growth factors for logistics services in the world market are the following:

1) Globalization of the world economy:
expansion and complications of goods' distribution channels
expansion of supply network.
2) The use of manufacturing technology "just in time":
possibility of producing products on request

substantial volume reduction of material and production inventories.
3) The development of e-commerce:
"business-consumer" interaction
"business-business" interaction.

Logistics has a significant impact on the development of market relations that leads to reducing the costs for movement of goods (warehousing, unloading, dispatch of products), reactivation of increasing competition on products and services, rational use of resources, the effective functioning of industrial infrastructure field.

USA is the largest supplier of logistical services. Their export is around 80-90 bln US dollars.

They import freight forwarding services in the amount of 90-100 bln US dollars per year.

However, USA loses step by step leading positions in this market segment.
This is explained by a number of economic factors and active logistics development in the leading European countries. So, to the largest exporters of these services in the world belong such countries as Germany (25-26 bln US dollars), Japan (40-45 bln US dollars) and also the United Kingdom, the Netherlands, Hong Kong (22-28 bln US dollars), Korea and others.

An individual leader in logistics services' import is also the USA. Following the USA by the volume of transport services' import goes Germany - 52 bln US dollars (7,56% of the market); Japan — 42,3 bln US dollars (6,24% of the market); United Kingdom — 35,8 bln US dollars (5.21% of the market); France — 29,5 bln US dollars (5,01% of the market); Denmark — 23,9 bln US dollars (3,48% of the market); India — 31,1 bln US dollars (3,47% of the market); the Republic of Korea — 29,9 bln US dollars (3,41% of the market); Italy — 22,6 bln US dollars (3,3% of the market); the Netherlands — 16,6 bln US dollars (2,41% of the market) and others. (data are given in the average annual volume).

According to the top-level domestic authors the leading positions of the mentioned countries on the world market of transport services' purchase and sale is explained by the active participation of these countries in the global commodity exchanges and international division of labor.

The share of logistics management and complex logistic services increases and most businesses give preference to the comprehensive optimization of its activities.

In this research (Arvis, Mustra, Panzer, Ojala, Naula, 2014) is carried out ranking of 160 countries by a number of indicators in the field of trade (including the effectiveness of customs administration, the quality of infrastructure and timely shipment of goods), which are most frequently recognized as the most important for countries' development.

Logistics Performance Index is determined (from 1 to 5 points) basing on evaluation of six indicators:

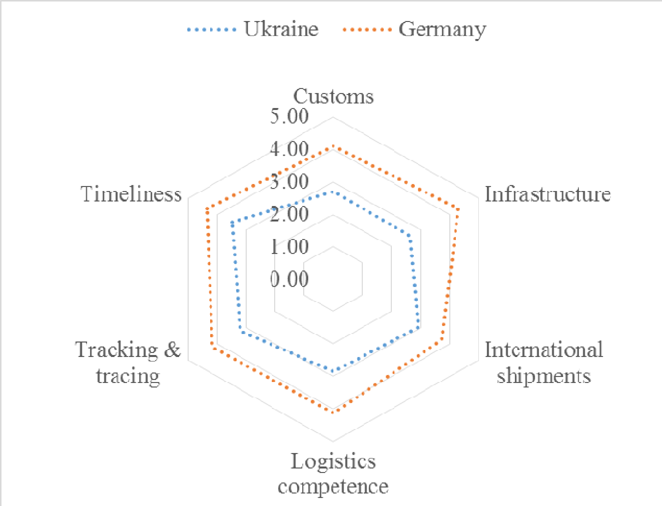
1) the effectiveness of customs and border clearance;
2) quality of trading and transport infrastructure;
3) accessibility and ease of international shipment arrangement at competitive prices;
4) quality and competence of logistics services
5) possibility cargo tracking and tracing
6) timeliness of deliveries

The higher is the index of the country, the more developed its logistics system is.

According to research, Germany has the most developed logistical system. The total value of its index amounted 4,12 points. Top three the best was supplemented with Netherlands (4,05 points) and Belgium (4,04). In contrast, the most unfavorable conditions for logistical and forwarding companies' operation established in politically unstable Afghanistan (2,07), the Democratic Republic of Congo (1,88) and Somalia (1,77) (World bank).

Ukraine occupies 61 st place among 160 countries of the world by the level of logistics system operation effectiveness. In the Figure 1 can be seen comparison between Germany and Ukraine.

Figure 1: Logistical Systems of Ukraine and Germany with Logistics Performance Index indication



Source: World bank

Figure 1, which is a comparative description of the logistics systems of Ukraine and Germany with Logistics Performance Index indication, the following was found:

The logistics system in Germany was been significantly developed than Ukraine. This shows the Logistics Performance Index for Germany (4.12), and Ukraine (2.98).

The timeliness of cargo deliveries (3,51) is the most developed component of Ukraine' Logistic System. The least developed component is the quality of trade and transport infrastructure (2,65).

The timeliness (4,36) and infrastructure (4,32) are high rates of German' Logistics System.

The experience of foreign organizations and firms indicates that one of the motivations behind the development of logistics approaches were acquired resource opportunities to improve quality of the assortment technologies of customer service.

Logistic services market consists of several segments. According to the world structure there are determined such variants of segmentation:

1) comprises the following segments: freight forwarding services; complex logistical decisions; supply chain management;
2) provides division into the following segments: international and internal express delivery; complex transportations of private and official property; international and domestic cargoes' transportations;
3) provide division into the following segments: expedition, transportation, logistics (Burnewisz J., 2005).

The share of transport services is approximately 24% (5,5 tln US dollars) in the global exports and imports of all types of services. Surely, suppliers of freight forwarding services on the world market lose by cost indicators before goods' exporters, but it applies only to major.

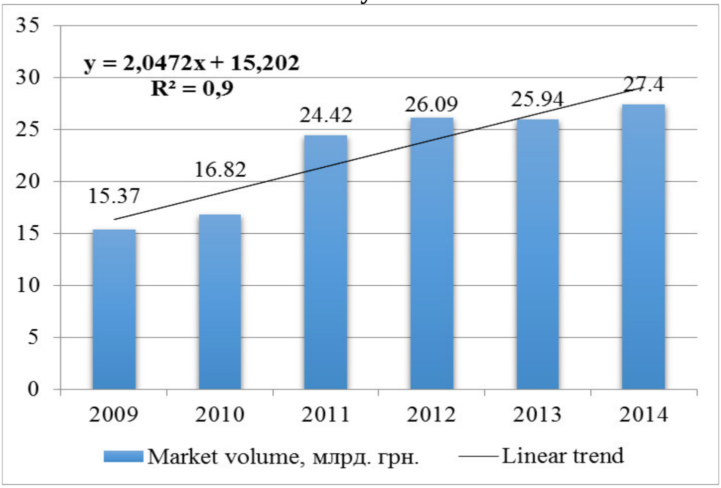
For Ukraine is typical another industry structure, in particular: warehouse services, transportation services, supply chain management, forwarding services. Nonetheless, in our opinion it makes sense to emphasize the following segments:
- freight forwarding services
- professional warehousing services
- express delivery
- complex logistical decisions (contract logistics)
- supply chain management.

Ukraine is at the stage of formation and consolidation of the industry, from the perspective of international practices and modern tendencies of global market development of logistics services, considerably yielding Western countries both in services' quality and complexity provided by national transportation and logistics companies. Today Ukraine is far behind from Eastern European countries by the level of logistics development.

The sphere of logistics finances around 15% of budget revenues from the production sphere, taking up in the services market about 40% of the market.

Let us consider logistics services market volume for 2009-2014 years (Figure 2).

Figure 2: The dynamics of Ukraine's logistics services market volume for 2009-2014 years

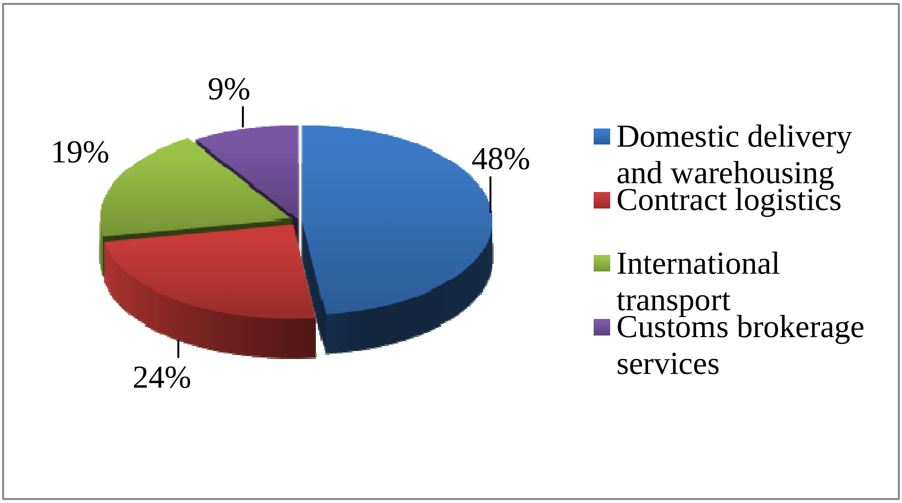


Source: Pro – Consulting

It can be concluded that logistics services market volume increases. The highest value is observed in 2012.

In total, logistics services market in Ukraine is poorly developed, weakly structured and there is no trustworthy information about its structure and revenues (Figure 3).

Figure 3: The structure of logistics market of Ukraine in 2013 year



Source: Pro – Consulting

Thus, domestic delivery and warehousing (48%) and contract logistics (24%) are the highest in demand among logistics services in the general market structure. Recently, contract logistics becomes increasingly popular among Ukrainian consumers.

In 2014, Ukraine's volume of GDP in actual prices amounted 1,4 trillion UAH, its transport component is estimated at 10%. The transport sphere finances about 6% of revenues to the budget.

Specialized logistics companies and logistics operators, which are not so much at the domestic market (including Ukrainian and foreign), may provide the complex of logistics services.

Logistical companies provide to clients highly specialized services: transportation, declaration (customs services), warehousing, services for communications with foreign suppliers, preparation of export and import documentation, etc. Logistical operators are logistics companies, which provide a range of services to its clients. An experienced operator may involve other contractors for execution assigned goals. In addition, logistical operators conclude agreements mainly on medium and long-term period, trying be the main (sole) performer for its customer. Logistical operators ready to delegate their individual experts to the customer's enterprise in order to maximize effective coordination of their joint activity. Logistical companies and logistical operators try to respond quickly to customer requirements and to improve constantly the quality of service.

According to the international classification, there are five levels of logistics services' provision (Christopher, 2005):

1PL (First Party Logistics) - an autonomous logistics, all operations are performed by the cargo's owner.

2PL (Second Party Logistics) - the provision of traditional services for transportation and warehouse facilities' management.

3PL (Third Party Logistics) - extension the standard range of services by non-standard (warehousing, transhipment, handling, additional services with a considerable added value), the use of subcontractors. All services are rendered both in conjunction and separately.

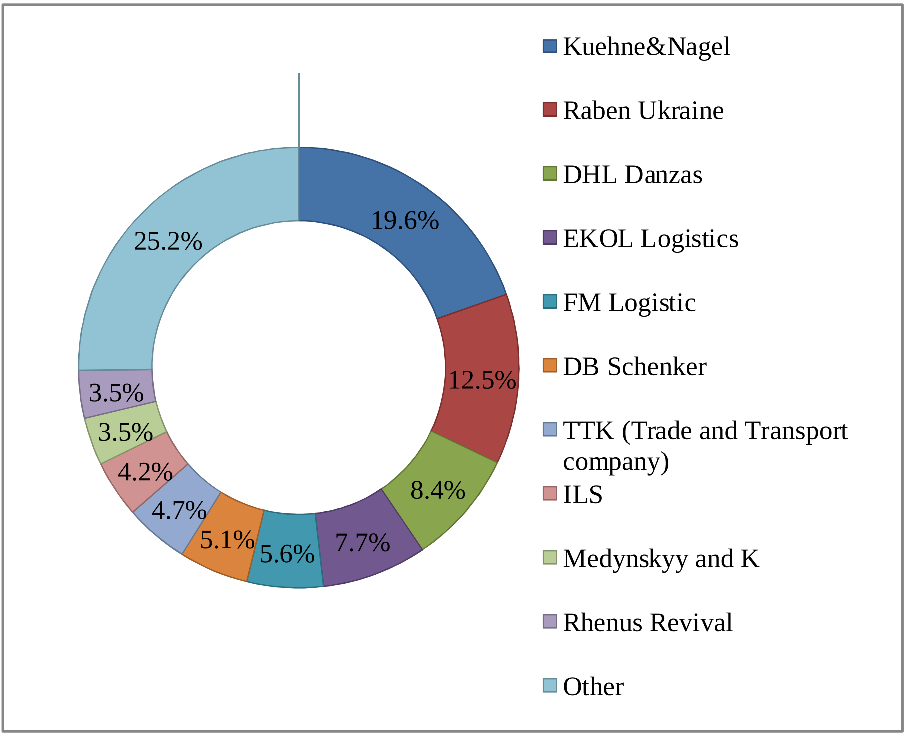
4PL (Fourth Party Logistics) - the integration of all companies involved in the supply chain.

5PL (Fifth Party Logistics) - management by all components, forming the only cargoes' supply chain by means of electronic tools of information (Christopher, Peck, 2012).

At the current stage in the world there is a tendency of emerging logistic companies and centers that offer complex and functional solutions. They lie in the provision of 3PL-services and active elaboration of the fourth and fifth level logistics outsourcing. It should be mentioned that the maximum demand is observed in the Northern America and Europe. Herewith, most services' users of 3PL operators are detected among the companies working in the field of high technologies (16%), industrial production (13%) and manufacture of food products (13%). Companies, which carry out activity in the field of finance and telecommunications least of full use outsourcing services.

Logistics companies mainly provide 3PL level services in the domestic market. Main operators of logistics services market in Ukraine and their share in the total market is presented in the Figure 4.

Figure 4: The share of main logistics companies in the market of Ukraine.



Source: Pro – Consulting

Figure 6 shows that the largest share at the logistic services market of Ukraine occupy German company Kuehne & Nagel (19,6%) and Dutch company Raben Ukraine (12,5%). It can be said about Ukrainian companies that they are still developing and gaining momentum.

Changes in the internal political situation of Ukraine significantly impacted on doing business and logistics services market. The basic amount of logistics companies that provide specialized services are concentrated in Kyiv. Ability to provide transportation services in some regions of Ukraine significantly worsened due to changes in market conjuncture. Supply in some cities tend to high security risks both for staff's life and for transport and cargoes preservation.

In order to survive, companies will have to find ways to reduce costs and increase labor productivity. For this, you need address to the international experience on optimization work of the company, using modern systems of transportation management processes automation and reduce staff costs. In addition, part of logistics centers may migrate from big cities in suburbs or neighboring regional centers.

4. Conclusions

At the present stage of economic development, logistics services occupy one of the leading places in the world market. In the result research was highlighted demand growth factors on logistics services, defined countries, which have the most advanced logistical systems, export and import logistics services' leaders countries, considered features of Ukraine's logistical system, represented segmentation and international classification of logistics services.

Following the comparative analysis of the logistics systems of Germany and the Ukraine, we came to the following: to improve the logistics system of Ukraine can be using not only the specific logistic models, but also their experience in the implementation and operation of advanced foreign countries. A comprehensive analysis of the main strengths and weaknesses of existing systems implemented and operated in specific regions, taking into account their specific features, will help develop their own approach to the formation of a common Ukrainian logistics system. It should focus on the development of external relations with neighboring countries and further afield.

Choosing a logistics partner, you should take into account the economic development and population density of country's regions. This is necessary in order to place as nearly as possible its products to the potential consumers and for operating expenses minimization. Also, it should be considered availability of transport communications, including convenience of connections with the largest ports of the country for cargoes' delivery to the logistics operator's warehouses.

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