

IT PLATFORMS AND NEW SERVICES BY INTERNATIONAL LOGISTICS SERVICE PROVIDERS AS A SUPPORT FOR THE INTERNATIONALISATION OF SMES (BASED ON GREAT BRITAIN)

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Abstract

The objective of the paper was to indicate internationalisation barriers of Small and Medium-Sized Enterprises (SMEs) from Great Britain. Expectations of SMEs towards activities supporting internationalisation were demonstrated. According to the respondents, SMEs require not only institutional aid (offered by government authorities), but also constructive aid from international leaders in the transport and logistics sector. International enterprises of the transport and logistics sector have already been providing support for the internationalisation of British SMEs. The paper presents selected solutions that support marketing, e-commerce, and management of cross-border transport. The research goal of the work was to identify logistic services that will have an impact on raising the level of internationalization of small and medium-sized enterprises (SMEs) from Great Britain. In the research process, a hypothesis was made and confirmed the hypothesis that "IT platform (with the functions described in the article) implemented by a leading international logistics service provider have an impact on the decision to internationalise British SMEs".

Keywords: Cross-border transport, transport and logistics, internationalisation of SMEs

INTRODUCTION

The enterprise internationalisation process is long-lasting [1] and is characterised by organisational changes and an increased exposure to risk [2]. The studies conducted so far have identified barriers to the internationalisation of SMEs [3, 4]. The researched have identified external barriers to the internationalisation of SMEs. They include: different government regulations of countries of reception; economic and political instability; cultural differences; currency fluctuations; and difficulties in the management of flows of goods, information, and money in distribution channels. Other researchers identified internal barriers which are associated with a lack of resources, attitude of the management towards international expansion, perception of risk, and inadequate knowledge of foreign conditions and markets [5]. Fillis [6] demonstrated that two types of internal internationalisation barriers may occur: those caused by the domestic market (e.g. poor government assistance) or by the foreign market (e.g. intensity of the actions taken by competitors, currency fluctuations). Rundh [7] argued that the most important barriers concern a lack of financial resources, language and cultural differences, and administrative difficulties. On the other hand, Ibeh [8] claimed that SMEs require assistance when it comes to overcoming barriers to international expansion. E-commerce has been identified as a factor that definitely facilitates the internationalisation of SMEs. Other researchers [9] presented financial and organisational risks, which are impossible to eliminate without partners experienced in international business. Terziovski [10] recommend communication with experts outside the company as a method for filling knowledge gaps. In their opinion, "internationalisation takes a lot of time and resources", which is a great hindrance to SMEs. They show that an international logistics service provider has the necessary knowledge and resources.



1. PARTICIPATION OF SMES IN OVERSEAS TRADE OF GREAT BRITAIN

Great Britain is one of the five largest economies in the EU. Services and goods make up almost 80 % and 20 % of the Great Britain economy respectively. Great Britain is an open economy. Approx. 28 % of GDP includes goods and services sold abroad (for approx. EUR 670 billion per year). In 2016, goods made up approx. 56 % of export; however, service exports have been on a constant rise for years. The data presented in **Figures 1-5** were collected using the document examination method. **Figure 1** presents the ratio of service exports to goods exports in EU member states, in countries being the largest EU economies acc. to GDP (France, Germany, Italy, Spain, Great Britain) and in Great Britain itself.

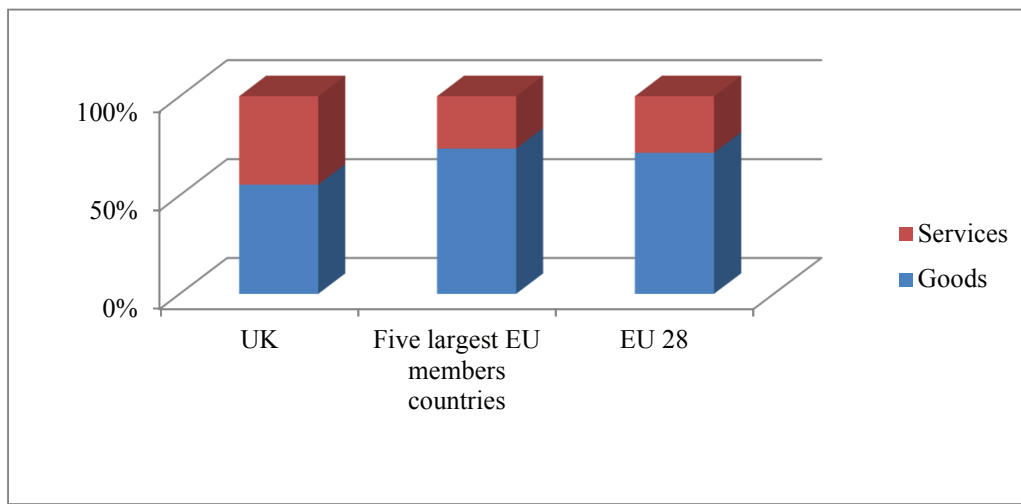


Figure 1 Ratio of service exports to goods exports in EU-28 member states, the five largest EU economies, and in Great Britain in 2016

Source: [12]

Great Britain is the only country that exports more to non-EU countries. Great Britain exports to the US the most. Small and Medium-Sized Enterprises located in the countries being among the five largest economies carry out up to 40 % of export and up to 50 % of import. However, their role in international trade does not correspond to value added that they generate (they generate more than 50 % of value added) and to workplaces (two thirds of workplaces are available in SMEs). Most of SMEs in France, Germany, Italy, Spain, and Great Britain are not involved on the international front. SMEs mainly export to EU member states (approx. 30 % of their goods and services), while only 3 % of their goods and services are exported beyond the EU. International activity of British SMEs is also poor. According to Eurobarometer public opinion surveys, 17 % and 11 % of Great Britain SMEs exported to EU member states and non-EU countries in 2015 respectively.

Naturally, trade flows only give a partial picture of cross-border activities of companies (including SMEs). Foreign direct investments (FDI) are an important form of internationalisation (but not for SMEs). Companies can invest abroad in order to: obtain a better access to their foreign markets; be closer to customers or suppliers; strive for the fragmentation of manufacturing processes to develop comparative advantages. Large companies in the EU make a significant contribution to global direct investments (five largest EU member states have a total of 19 % of global foreign resources obtained via FDI). Only very small SMEs are involved in FDI. Contribution of SMEs in the total value of FDI is limited to less than 1 %. FDI has three components: equity capital (purchase of shares of an enterprise in a foreign country), reinvested earnings in a foreign enterprise, and intra-company loans. None of these forms is favoured by SMEs. The survey revealed that 68 % of British SMEs have no experience in any internationalisation form [11],[12]. **Figure 2** shows the exports (of British enterprises) broken down by size class to EU countries. **Figure 3** exports outside the EU in 2016.

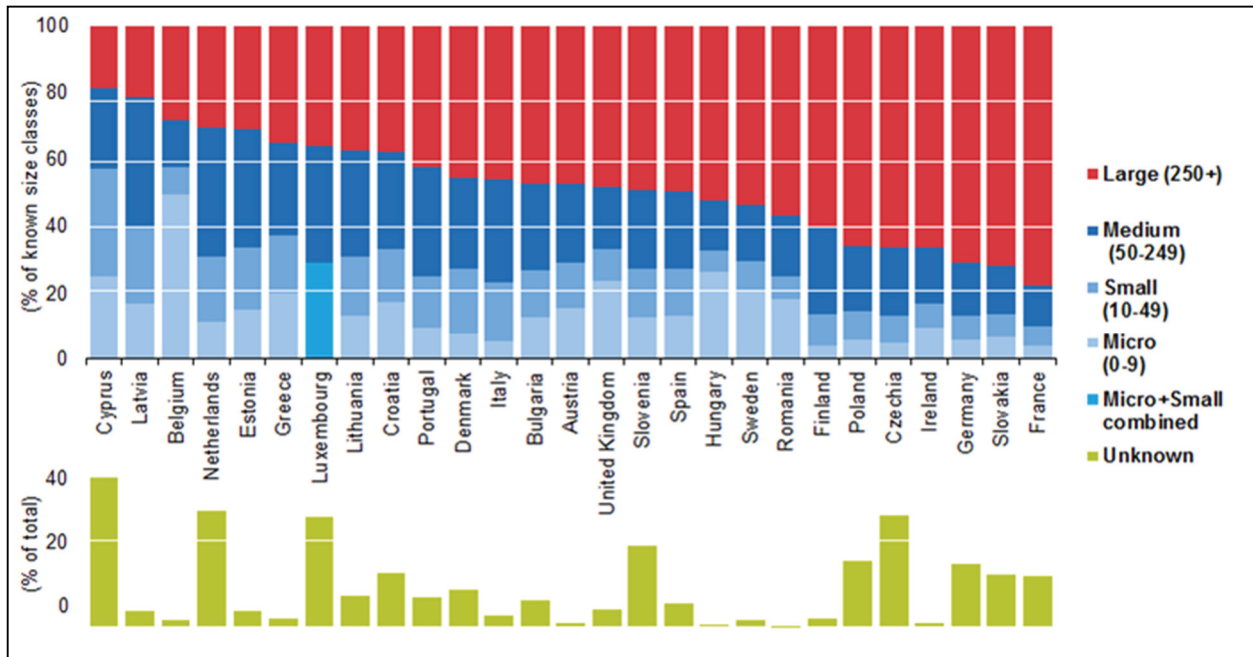


Figure 2 International activities of UK SMEs Inside The EU (%) Value of export (goods by size class, intra - UE, 2016).

Source: [11]

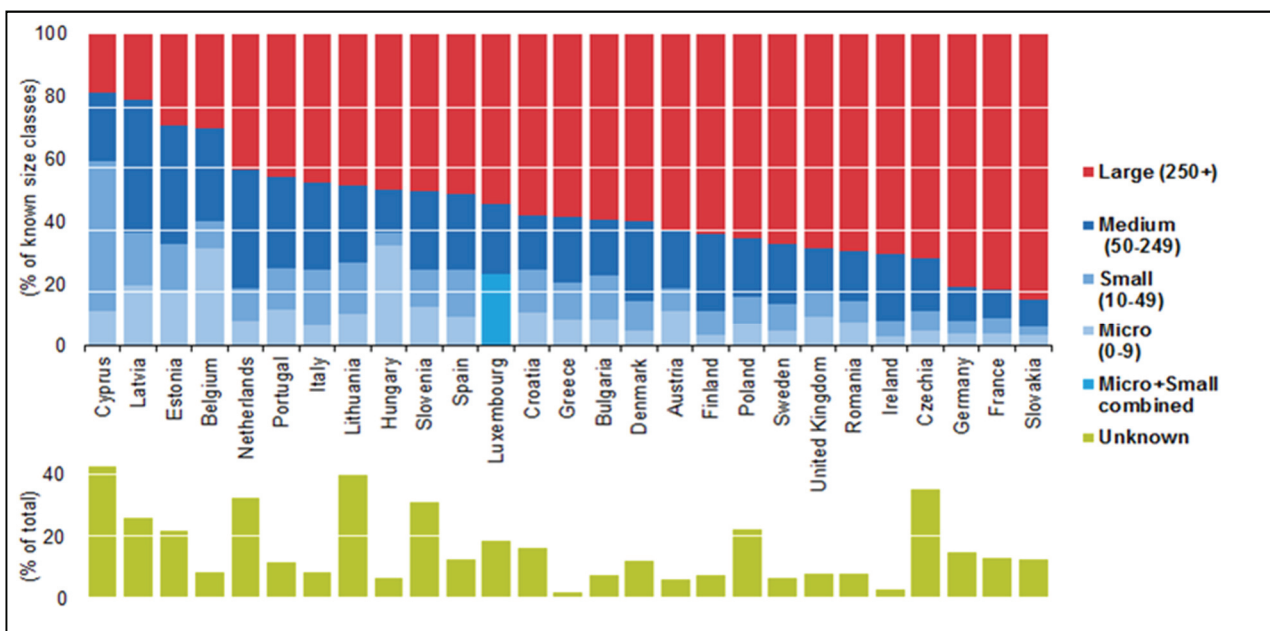


Figure 3 International activities of UK SMEs Inside The EU (%) Value of export (goods by size class, extra - UE, 2016)

Source: [11]

The aforementioned figures demonstrated that British SMEs appear to be focused on intranational activity. Despite this apparent reluctance to export, import and other internationalisation forms, it was found that only approx. 10 % of British SMEs declare that they will never be involved in export or import. A great many British SMEs were potentially interested in export or import; still, the respondents argued that there are barriers that are yet to be overcome [12]. The barriers indicated by the respondents are shown in **Figure 4**.

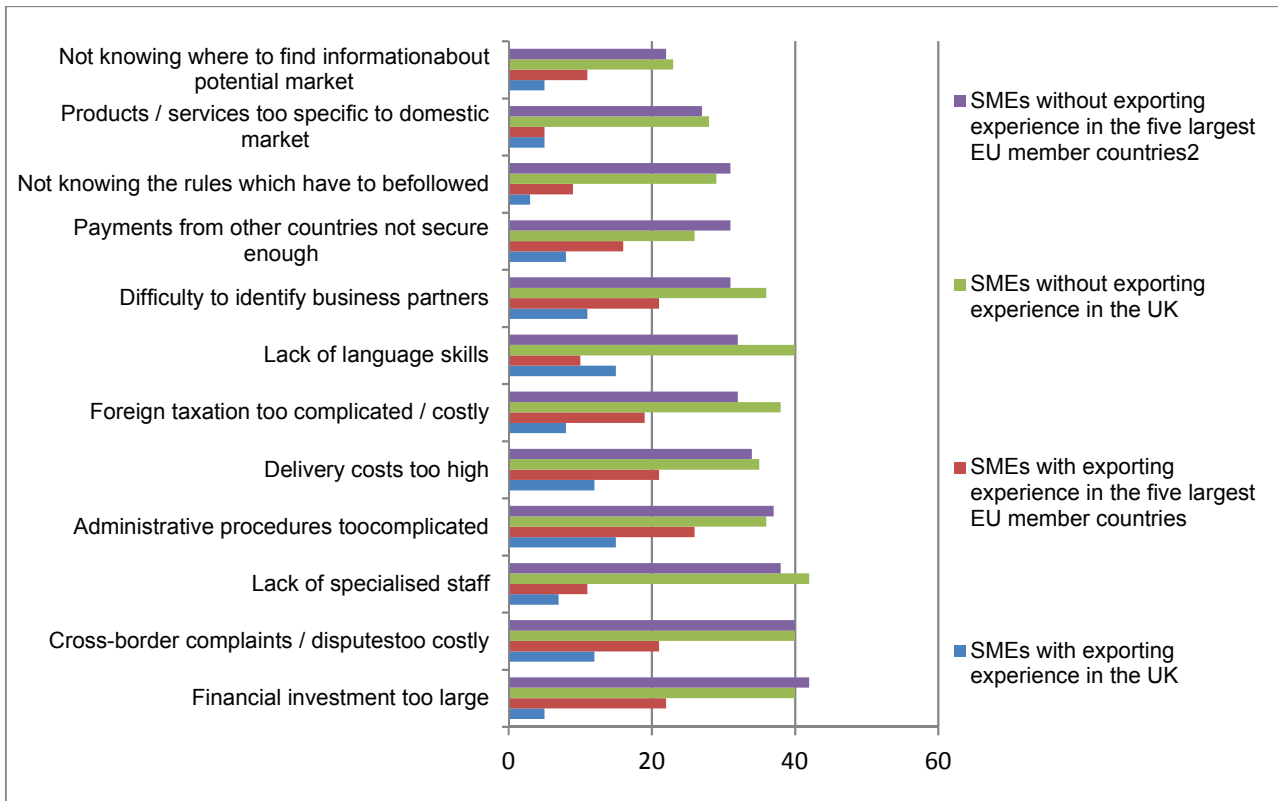


Figure 4 Main barriers to the internationalisation of British SMEs with and without international experience (2016 surveys; they present % of responses)

Source: [12]

2. INSTITUTIONAL SUPPORT FOR THE INTERNATIONALISATION OF BRITISH SMES

National policies that support the internationalisation of British SMEs include: - Department for International Trade - provides operational support to exporters and facilitates internal and external investments. British Business Bank is a supporting authority of the Department for International Trade. - UK Export Finance - provides financial products and services.

UK Export Finance offers a wide range of products: working capital loans and insurance of risks. It makes it possible to recover the costs associated with a failure to comply with an export contract; direct loan and guaranteed loan intended to encourage foreign companies to purchase British products. Apart from financial and insurance products, Export Finance also provides advice with the use of Export Finance Managers. Regional contact points offer advice and provide information on: - payment methods and types; - types of available financial resources; - trade financing (before and after export); - loan insurance; - foreign exchange risks. Options for activities on individual markets and insuring such activities may be discussed with managers; in addition, contact with insurance brokers is ensured. The Department for International Trade offers advice and support in terms of development relationships, available grants and other incentives; it also provides advice on hiring and training employees and shares observations about specific markets. The British Business Bank, national promotional organisation, provides specific credit lines to finance export and investments of SMEs based in Great Britain. It also offers a three-stage programme to help entrepreneurs implement their international objectives, while at the same time minimising risks.

The first step involves a detailed assessment of the readiness of the company for export by advisers. This step includes the analysis of the organisational structure of an SME, its financial standing, leadership and involvement in the internalisation plan. The analysis of this type allows companies to prepare and to eliminate

weaknesses and management gaps. Another step involves the selection of the best market to expand into with the use of a structured approach based on careful analysis and market research. The last step is associated with advisers' helping companies to develop their strategy for entering the market through: identification of the best partners on the target market and competitors and development of a comprehensive action plan.

In addition to the described specific assistance, the Bank also offers free content and tools that will help companies with export. This content and these tools include videos, numerous articles and an eBook entitled "How to be successful". The guide for entrepreneurs was developed in cooperation with institutions from other countries, i.e.: Export Development Canada and the Canadian Trade Commissioner Service, Canada Tariff Finder.

The study involved [12] expectations of SMEs towards the internationalisation support in five largest EU member states (including Great Britain). SMEs expect more support in terms of help with financing export and consider it to be most useful, which is presented in **Figure 5**.

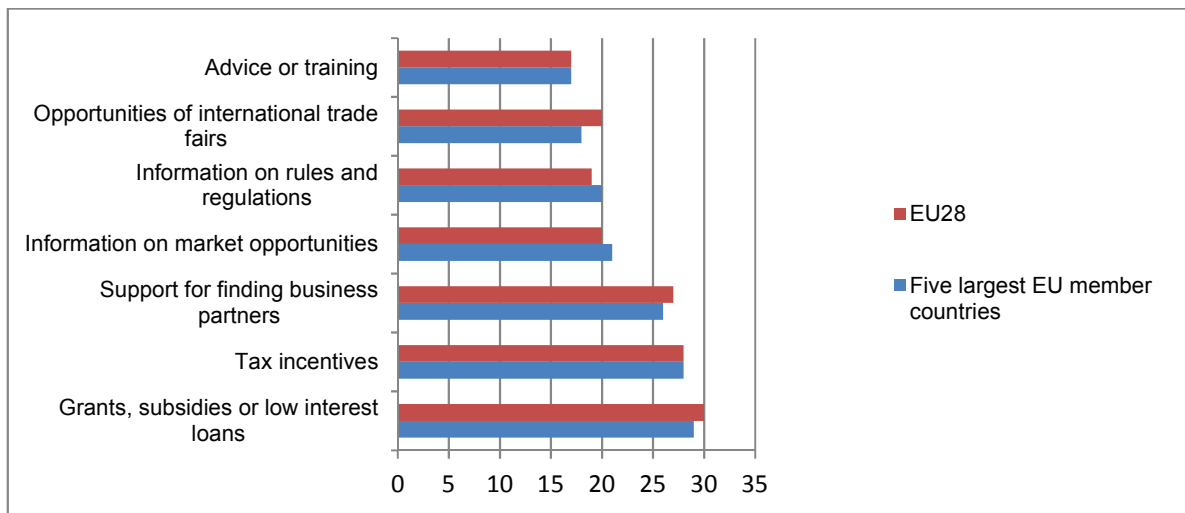


Figure 5 Desires forms of support for the internationalisation of SMEs activities (2016 surveys; they present % of responses)

Source: [12]

The needs of SMEs in terms of support are changing for various reasons. Previous studies demonstrated that the performance of niche strategies combined with recognisability of the British brand was key for the international expansion of SMEs to be successful. The success was achieved by focusing on a narrow range of products and on a clearly identified market segment [13]. Over time, SMEs involved in export started to adapt their products and activities to local preferences on foreign markets [14]. Identity of a company brand with the British brand is still a key asset as well as a precedent in trade with the US (Americans love British products and the quality associated with them). Recent studies by Hutchinson et al. [15] reveal that the success made by British SMEs is increasingly dependent on internal and external factors supporting internationalisation. Internal factors include: global vision (stop thinking from the angle of national pride)/ way of thinking (considering the needs and identify of foreign customers), entrepreneurial mindset, and informal personal relations on foreign markets. External factors include: government aid and consultancy of international logistics service providers. Morgan and Katsikeas [16] identified four major sets of internal barriers that explain why SMEs are becoming reluctant to export. The authors mentioned: strategic, operational and information barriers as well as barriers based on processes. The last three barriers may be transcended by companies using e-commerce (c-commerce, m-commerce, sale on social media). If companies are not experts in e-commerce operations, they should use logistics service providers.

3. EXAMPLES OF INTERNET PLATFORMS THAT SUPPORT THE INTERNATIONALISATION OF SMES OPERATING IN SERVICES

Hidden Art is a non-profit organisation that helps SMEs involved in design in London and surrounding areas. The objective of support is to provide access to a competitive and global market for SMEs. Hidden Art provides a dedicated network platform that connects businesses on the market. Designers are given training and information. A project by Hidden Art entitled "Innovative cooperation networks for smart growth" is aimed at stimulating the growth of a local community of designers. Designers may sell their designs or design services all over the world via a Hidden Art e-shop, pop-up retails, or international trade fairs. Apart from the dedicated B2B platform, the Hidden Art project offers guidance tailored to your needs and offered by individual advisers. The support model consists of adapting the development path, raising commercialisation skills, and directing activities towards the appropriate community: co-designers, makers, or distributors. Programmes of project development are also organised in order to help participants to develop their ideas and to put them on the market. The Hidden Art network is open to all designers and has approx. 2,000 members at the moment. Around 100 designers offer their services/products on the Hidden Art e-shop, while approx. 300 designers have their own page in the Hidden Art catalogue. Joint marketing activities, events, and programmes are organised or controlled by Hidden Art. 450 companies have received support so far. The Hidden Art project inspired confidence in the community of designers in London.

4. EXAMPLES OF INTERNATIONAL COMPANIES OPERATING IN TRANSPORT AND LOGISTICS AND THEIR SOLUTIONS TO SUPPORT THE INTERNATIONALISATION OF SMES

FedEx makes it possible for SMEs to reach new customers and international markets relatively easy. FedEx identifies the global environment, political powers, logistics and transport infrastructure, and distribution capability on export markets for SMEs. It provides IT systems (CRM, WMF systems etc.) for its customers. In 2016, the IT system by FedEx for export carried out by SMEs was transformed. Due to the organisational, cultural, and technical transformation, studied (i.e. operated by FedEx) SMEs do not feel alone when it comes to the organisation of transport or logistics operations in cross-border trade. FedEx combines physical and digital networks (bringing the development of the Internet of Things closer), which helps and accelerates the increase in the number of cross-border transactions, and thus making it possible for flows to be faster, cheaper, and more convenient. FedEx provides support to SMEs through dedicated and geographically targeted branch teams, tailors its services to suit the individual needs of SMEs and prepares various options for international shipments such as e.g.: International Priority. It also provides training to SMEs, believing that employees need to be updated with new platforms, in order to maintain competitive advantage and reach global customers. FedEx has prepared convenient order forms and simplified payment methods to work in e-commerce. According to SMEs, it is FedEx that has the best operational platform, which provides the highest level of service. The changing nature of the relationship of FedEx with SMEs thanks to new functionalities of CRM modules and use of the new possibilities, which are offered by the digital economy, improves indicators of the internationalisation of SMEs. According to "FedEx Export report for SMEs", European SMEs have introduced e-commerce (38 % of SMEs with the help of e-commerce reach foreign markets, among them 55 % generate their revenues using m-commerce, and 65 % of SMEs use social media for promotional purposes and sales on foreign markets). According to FedEx, the use of e-commerce and system integration with an international logistics service provider makes it easier for SMEs to start and to operate internationally.

XPO Logistics, a leading global provider of transport and logistics solutions, has established a pioneering partnership with the GS1 UK organisation. The cooperation concerns the implementation of standards for identification of food commodities in the supply chain. XPO manages physical checks of compliance with the standards of the products for leading suppliers and retailers of food products. The productDNA:Hub service simplifies sharing of the trusted data concerning the products and their management, passing them for use in stores and on the Internet. The service provides the branch a uniform and agreed way of working. The recipients of productDNA:hub were to be initially food industry giants as Nestlé, PepsiCo, Sainsbury's, Tesco,



Unilever, Waitrose. The service has also been started to be used by SMEs, expecting that the new standards will improve the traceability of products exported and bring savings by: reducing the cost of lost sales, improved product safety, storage, inventory accuracy and visibility in the supply chain. High-quality data and standard information is expected by the international consumer especially for the products originating from SMEs. XPO manages the productDNA:hub operations in the multitemperature warehouse in Easton, Lincolnshire. A special team tests food products to make sure that the labels accurately reflect the contents in accordance with the GS1 directory, using specialised software for data collection and validation of results. In addition, XPO Logistics has launched a new service of pallet and bulk cargo transport between Europe and third countries. Customers are now able to dispatch the consignments from European countries to certain selected sites using LTL, Red Europe® network services, offered by XPO. Services are available in both directions. The new transport service is available free of quantitative restrictions (starting from one pallet), which allows SMEs customers to import and export goods in any quantity on a regular basis. XPO Logistics offers daily pickup and dispatch twice a week in both directions. KeyPL is an integrated package of transport solutions by the XPO Logistics company for the automotive industry, which optimises the flow and provides sound operational data on even the smallest parcel. The standard EDI documents dedicated to the branch can be displayed in real time at the supplier, customer, carriers. A 14-person KeyPL team, fluent in six languages, organises cash flows in six currency zones. The team's objective is to expand the customer base with companies of the SME sector - joining the international supply chains. The above information on the functionality of the implemented IT platform was obtained using the diagnostic sounding method. The research technique was a direct interview. Using the method of examining accounting documents, the data presented in the **Table 1** was obtained. **Table 1** shows the growing number of British SMEs involved in export benefiting from the services of a selected international logistics service provider and declaring that offered services facilitated expansion into foreign markets.

Table 1 Number of British SMEs that use the services of a selected international logistics service provider

EU member state	Number of British SMEs with international experience (cooperating with the provider)	Number of British SMEs without any international experience (starting cooperation with the provider)	Sale of cross-border services for SMEs
January 2017	11	0	Styczeń 2017 =100
February 2017	12	1	100,5
March 2017	17	1	100,7
April 2017	20	2	101
May 2017	25	0	101,7
June 2017	30	3	102
July 2017	32	2	103
August 2017	34	2	103,5
September 2017	36	2	103,5
October 2017	40	4	104
November 2017	45	5	104,9
December 2017	50	4	106
January 2018	58	4	108
February 2018	67	4	108

Source: [Author's own elaboration based on an interview with a manager and examining accounting documents logistics operator - XPO Logistics]

CONCLUSIONS

Not only did the results of the study make it possible to look at the difficulties encountered during the SME internationalisation process and to show the expectations of SMEs towards supporting actions taken by the government, but they also demonstrated business solutions to make it easier for SMEs to cross national borders. It is desirable to consider new technologies and platforms and their effect on the internationalisation and development of enterprises. The above-mentioned consideration was continued in the papers by Stawiarska, Sobczyk [17]

The diffusion of logistics and transport innovations is not only the responsibility of companies operating in transport and logistics, but also what SMEs need.

The paper was an attempt to suggest: - implementing solutions for SMEs under internationalisation to managers of logistics companies. They copied interesting solutions from those that have already been successful in the support of SMEs, i.e. from international logistics service providers. The paper serves as a confirmation that the implementation of the aforementioned solutions is necessary (the number of SMEs involved in export/import increases) and cost-effective (turnover of SMEs goes up). The study (desk research from the introduction of this paper and Chapter 1) reveals that SMEs expect logistics service providers to develop platforms to help overcome barriers to their internationalisation. - relying on logistics partners to managers of SMEs. The knowledge of a specialist-partner who understands the nuances and subtleties as well as the requirements of a foreign market is of particular importance given limited resources of SMEs.

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