

strategic risk, risk management, road freight forwarding company,  
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## **STRATEGIC RISKS OF THE ROAD FREIGHT FORWARDING COMPANIES WORKING WITH INTERNATIONAL CARGO**

**Summary.** The article explores some of the strategic risks (SR) for road freight forwarding companies Examination of some Bulgarian and European policies and guidelines will be performed to show the development of freight forwarding and the challenges presented by the new "White Paper 2020" EU transport to business.

## **СТРАТЕГИЧЕСКИЕ РИСКИ АВТОМОБИЛЬНЫХ ТРАНСПОРТНО-ЭКСПЕДИТОРСКИХ КОМПАНИЙ, РАБОТАЮЩИХ С МЕЖДУНАРОДНЫМИ ГРУЗАМИ**

**Резюме.** В статье исследуются некоторые стратегические риски (SR) для автомобильных транспортно-экспедиторских компаний. Рассмотрены некоторые аспекты болгарской и европейской стратегии и принципы руководства для решения проблем, возникающих при экспедировании грузов, указанных в новом документе "White Paper 2020" ЕС по транспорту для бизнеса.

### **1. INTRODUCTION**

Transport companies and politicians more often are turning to transportation risks and models that aim to involve policy changes such as interacting between practice and new policy instruments for sustainable development of the road freight forwarding. The number of European shipping companies that note the essential characteristic of successful companies is fueled skillful forecasting and management of strategic risks. When strategic risks are timely forecasted and avoided then it can also lead to growth of the company. Strategic risks are closely connected to the environment of the road freight forwarding company.

### **2. EXPOSITION**

On the basis of multifactors analysis of the state of the transport sector in Bulgaria, the guidelines for the development of the transport policy of the European Union and the emerging trends are identified and the main priorities and measures that need to be implemented by 2020, some of them are :

Strategic policy objectives in the transport sector are:

- Achieving economic efficiency
- Development of sustainable transport
- Improvement of regional and social development and commitment.

Strategic priorities of the transport sector are:

- Effective maintenance, modernization and development of transport infrastructure
- Integration of the Bulgarian transport system into the European
- Transparent and harmonized conditions of competition in the transport market.
- Providing a better business environment
- Limiting the negative impact of transport on the environment and human health

Furthermore, national purposes and priorities for strategic development of road transport sector has already adopted 'White Paper 2020', which sets the frame for development of transport sector in the next few years. Particular those relating to road transport companies for freight headed by reducing harmful emissions, the following guidelines:

- Shipments of goods over short and medium distances (300 km) continue to be carried by road. Freight at long distance are encouraged to be carried out with alternative transport solutions using rail, river, sea or air;
- To affordably reduce the negative impact of emissions and freight transport carriers themselves must focus on alternative modes of transportation and multimodal freight becoming economically good decisions;
- It is necessary to develop an efficient combined transport, which will lead to optimizing energy costs and emissions and will have minimal impact on the environment;
- At its core transport is. Opening in third country markets for mobile services will lead to new strategies for better business practices;
- To review the restrictions on cabotage and in particular seeks the removal of other such restrictions.

On the verge of rapidly developing new transport policies companies for carriage of goods by road are faced with major decisions related to their strategic development. This in turn leads to putting them to solve important strategic risks.

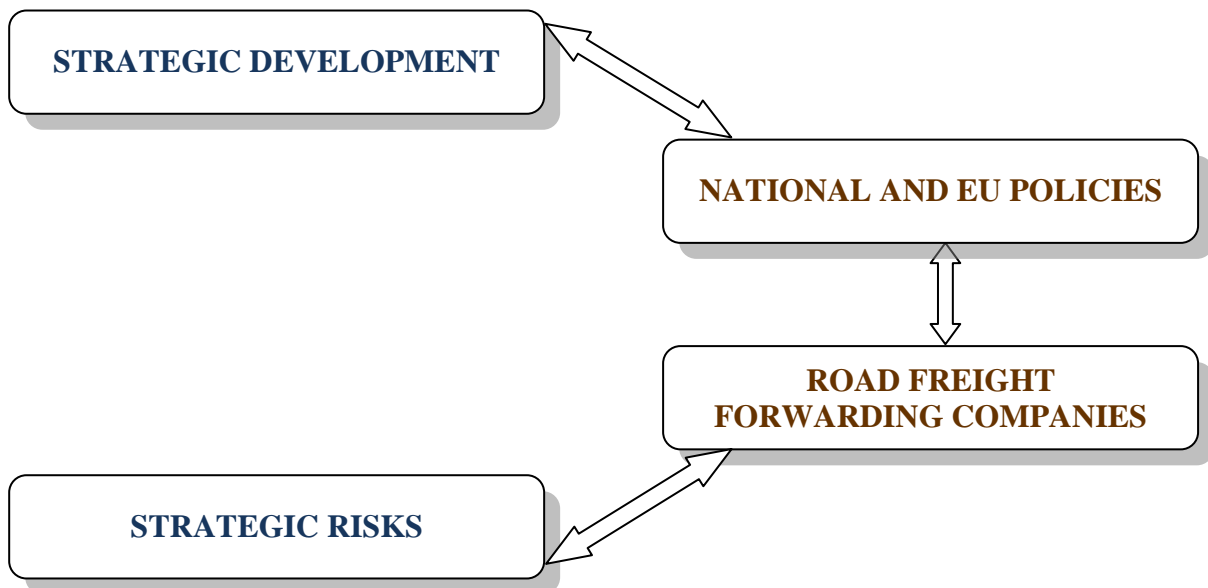


Fig. 1. Connectivity to the road freight forwarding companies with different policies

Рис. 1. Взаимосвязь автомобильных транспортно-экспедиционных компаний с различными стратегиями

The road freight forwarding companies should have their own mission and independent view on the company strategies and their status within the business trade. Those missions would be in a great importance for the economical, the technical growth and the competition with every company. Strategic planning shown on Fig. 1 is the first step to minimize the strategic risks. Next we are offering some guidance for a good strategic planning.

Strategic planning for road freight forwarding company based on:

- Decision making in relation to the vision and planning;
- Processes and methods of approach in relation to the companies goals, issues and market indexes;
- Creating tools package for planning and minimizing strategic risks.

The good conception for strategic planning for road freight forwarding companies gives methodologies and tools that the company may use to coordinate and guide the prospective development and to measure their own and surrounded economical, scientific, technical and market conditions (Fig. 2). The lack of strategic planning may lead the road freight forwarding company to face a huge risk and difficult adaptation to the current changes, incoming innovations and high level technical decisions, progressive development and new ideas of competitors.

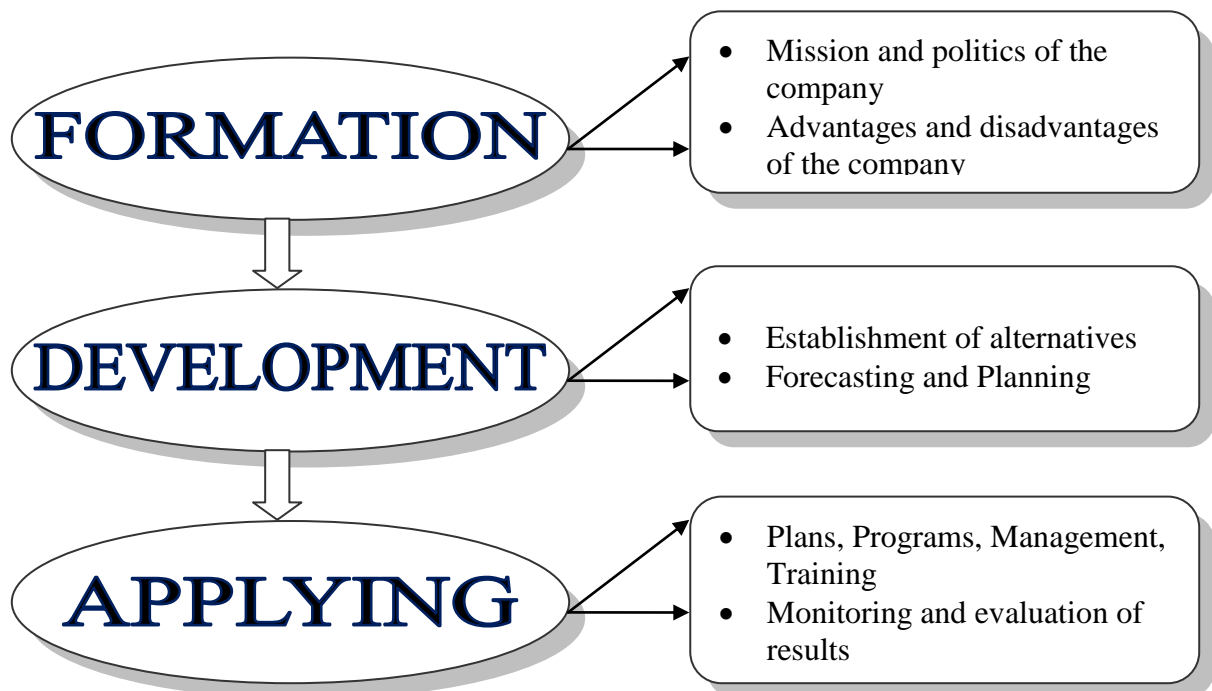


Fig. 2. Simplified diagram in forming strategic planning

Рис. 2. Упрощенная схема формирования стратегического планирования

The above review should facilitate the road freight forwarding companies to find realistic decisions and to avoid the main strategic risks in connection to their services. Next this review will be illustrated as analyzing the most important strategic risks.

As it is well known fact strategic risks are connected to the risks related to the company environment from inside and outside. The strategic risks are also connected to the planning, performance of the freight contract, the objectives of higher productivity and efficiency of the forwarding. The achievement of the best result is possible if the shipping company has a good strategy

for the strategic risks that are coming from the surrounded environment. Currently the shipments of goods over short and medium distances (up to 300 km) continues to be carried by road – this is one of the main shipping ideas of the EU. The well known new EU strategy foresees 30 percent of the road freight shipping for distances over 300km to be performed by alternative modes of transportations by 2030. This measure coming from the European Commission (EC) is particularly important for the road freight companies. At the moment there is no issue to ship a cargo from Sofia, Bulgaria to Radom, Poland (1374 km). However after year 2030 the carriers will have to develop lines and to include combined or multi-modal transport. However the EC strategy does not define if this road shipping for 300km is for every freight from the initial point to the end point of it is for the places where the freight can be moved to the alternative transport. Next are shown two solutions for transporting a cargo from Sofia to Radom.

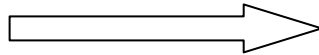
### Solution 1

#### *Intermodal freight transport (truck-ship-truck)*

1. Start point – Sofia, Bulgaria

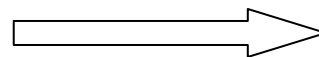


2. Relay port Lom, Bulgaria



Reloading the cargo from the road freight to the river freight

3. Relay port Warsaw, Poland



Reloading the cargo from the river freight to the road freight

4. End point – Radom, Poland



Total length of the route – 1713km\*

Average shipping time – 5 to 7 days\*

The freight could be reloaded from the road vehicle to the river vessel either by loading the truck trailer to the vessel or by loading the cargo itself from the first mode to the second one.

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\* The calculated length of the routes and times are approximate.

**Solution 2***Road freight*

1. Start point Sofia, Bulgaria



2. End point Radom, Poland

Total length of the route – 1374km\*

Average shipping time – 22 hours\*

The above examples shows that with the new restrictions for the distances over 300 km it will take more time for the freights to be delivered and the length of the routes will increase (Fig. 3). If the road forwarding concentrates on using alternatives fuels and energies then the effectiveness of this type of shipping will be significantly higher than the others. The freights with the road forwarding are delivered quicker and travel less in comparison with the intermodal freight transport (Fig. 4). It is quite noticeable that the road freight has dominant position not only for short distances but for long ones too. The intermodal freight transport could be a very good alternative to reduce the congestion and the emissions. However it would take time to take over the road, rail, air and river transports and to be competitive on speed, price and effectiveness.

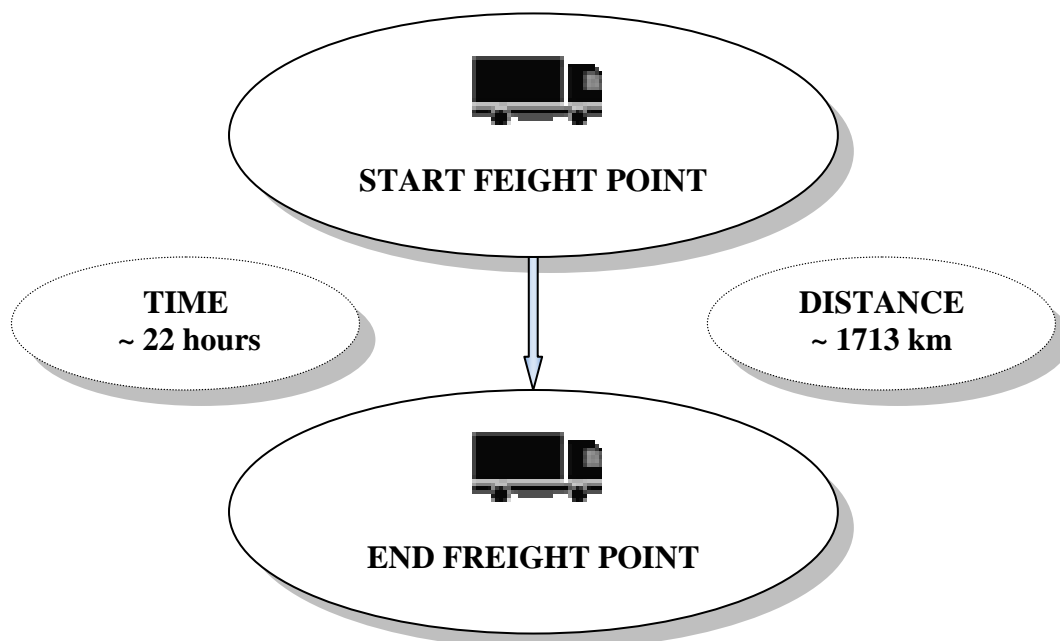


Fig. 3. Diagram of simplified intermodal freight forwarding

Рис. 3. Схема упрощенного экспедирования интермодальных грузов

\* The calculated length of the routes and times are approximate.

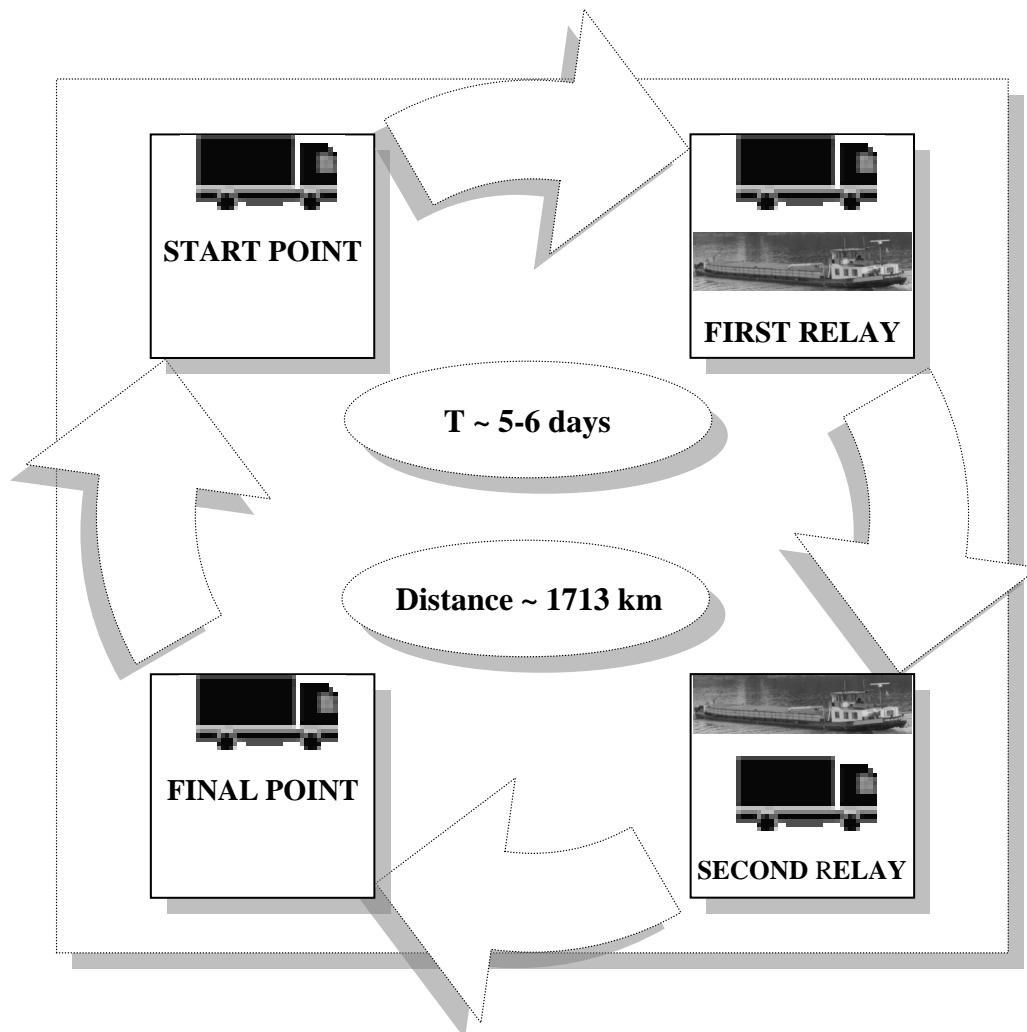


Fig. 4. Diagram of simplified road freight forwarding

Рис. 4. Схема упрощенного экспедирования автомобильных грузов

The redirection to the intermodal freight transport is a significant challenge for the road freight companies. It will be also one of the main strategic risks, which will need to be considered. On the other hand the road freight companies should need to choose between the alternative to offer only the road freight or to apply and to offer the full logistic service and to include the other modes of transport.

Together with the expansion of the logistic services on the road freight forwarding companies it should be sought for new technologies for “greener” road transport. This challenge for the road forwarding companies is closely linked to the new changes and attitude to reduce the harmful emissions caused by the road traffic. According to different organizations one of the biggest polluters of the environment are the trucks. New technologies for reducing the emissions should be developed.

Then the vehicles manufacturers should apply those technologies and the forwarding companies should modernize their fleets with vehicles with alternative fuels and energies. In that way, using the “green” alternatives, the road freight forwarding will remain effective way to transport cargo and highly competitive to other transport modes and their alternatives. On the other hand it will minimize the strategic risk when choosing a freight company. (See Fig. 5).

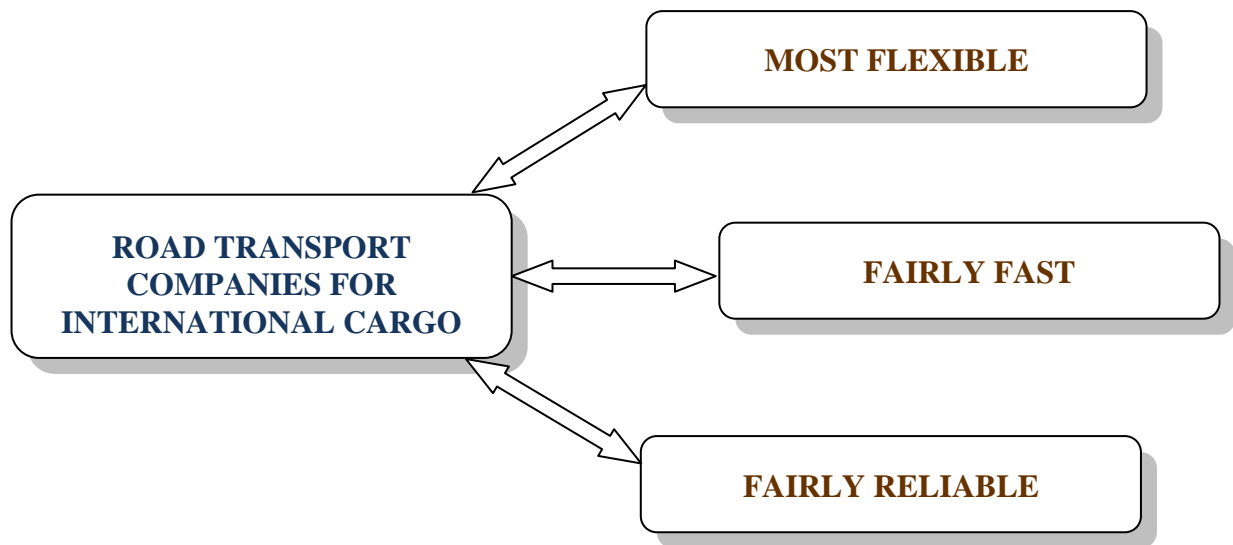


Fig. 5. Advantages of road freight forwarding

Рис. 5. Преимущества экспедирования автомобильных грузов

Another strategic risk is connected with the transporting freights outside the EU as Bulgaria and other countries are on the European border. Expanding to new markets to countries in other continents is very important strategic milestone for the road freight companies. The road transport services in that way could be increased with well established commercial and legal relationships.

There is also another important strategic risk for the Bulgarian road freight forwarding companies that is related to the cabotage. At the moment those companies may perform their services only to the 12 countries members of the EU. According to the guidelines for the unified transport system by 2020 the restrictions to the cabotage are envisaged to be abolished. However if these restrictions still apply then the road freight forwarding companies should defend their strategic markets and development by seeking new markets for their services and/or to expand their current services. Every new market involves many new risks such as legal, commercial, technical, etc. As a result of this the inner company climate could become unstable and to lead to negative consequences. It is the same situation with expanding the current services. Nevertheless if the strategic study and planning of those markets and services is well done then the result could be good too. But still the European market is well known for the Bulgarian road freight forwarding companies and hence the risks are considerably less and easy to predict. From the above prospective, referring to the road freight limitation of 300km for single transport policy and the Bulgarian road freight companies the best option for minimizing the risk is to decrease and even withdraw the cabotage in the EU.

### 3. CONCLUSIONS

In order to minimize the strategic risks that are accompanying the road freight forwarding companies the next should be taken under consideration:

- Required strategic planning for the external and internal company's environment;
- Periodical forecast of the strategic risks;
- Synchronizing the company development with the most recent legal, technical and market requirements;
- Researching and applying the most recent and the best technologies;
- Consolidation with all other kind of forwarding and transporting modes.

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