

# **Analysis of Customer Relationship Marketing in DB Schenker Logistics Finland**

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| <p><b>Title:</b><br/>Analysis of Customer Relationship Marketing in DB Schenker Logistics Finland</p>  | <p><b>Group</b><br/>Pobba</p>                         |
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| <p>The main objective of this study was to examine the relationship between DB Schenker Logistics Finland and its customers and the possibilities of managing and maintaining the customer marketing relationship. The main purpose was to examine a provider organization and its operation by integrating the theories of relationship marketing in service context to find out what are the major challenges in implementing marketing relationship and service approach in DB Schenker.</p> <p>The theoretical framework was constructed on the theories of relationship marketing in service context. Customer relationship is becoming the main focus of most businesses. Hence, there have been many discussions about this topic in the previous studies. The main focus of this study is based on the customer relationship from the customer perspective. Therefore, the theoretical framework provides the basis for the research problem, research design, data collection and data analysis.</p> <p>The empirical study is based on a qualitative research designed through a single case study analysis method. The aim is to achieve an in-depth understanding of a practical phenomenon in its context in a real life situation. Both primary and secondary data are utilized.</p> <p>Secondary data include the company's internal materials and selected articles and research reports from various reliable sources. Primary data are mainly gathered through semi-structured interviews, discussions and direct observations.</p> <p>The case study reveals that DB Schenker is relatively well relationship and service orientated in the strategic level. Importance of customer relationship, service orientation and employees' role in improving customer marketing relationships and service quality have been recognized by the company. The company believes that better customer marketing relationships and service quality create competitive advantages.</p> <p>Conclusions are based on both the theoretical study and the empirical case study. The logistics service industry is an extremely dynamic industry where customers' demands and the changes in the competitive environment are getting more demanding constantly.</p> |   |
| <p><b>Key words:</b> Customer Marketing relationship, service quality, relationships portfolio</p>   |   |

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# 1 Introduction

Relationship marketing is the process of improving the relationship with the current customers rather than focusing on acquisition of new customers. The main goal of customer relationship is to build and nurture a fixed set of customers who in turn will bring great profit to the organisation. (Christopher 2001, 28.)

Relationship marketing implementation is fast becoming a vital strategy that is used by most companies for attaining better relationship with clients. As a result of modern day, new and advanced technology, the urge for firms to be proactive in terms of customer relationship management cannot be over emphasised. (Christopher 2001, 28.)

The technological trend in logistics service providers across the globe has even made it more competitive to retain old customers than attract new ones. It is therefore, important to keep abreast and try to maintain sustainable relationship marketing implementation with clients. (Christopher 2001, 28.)

This thesis will take a look at relationship marketing implementation and how it affects DB Schenker. DB Schenker Oy is specialized in land (road and rail) transport mostly within Europe. It also operates a worldwide air and sea freight as well as fairs and exhibition transports. The DB Schenker services in Finland also consist of warehousing and integrated logistics services. (DB Schenker 2010.)

The theoretical framework of the thesis seeks to explain what is relationship marketing implementation, how does relationship marketing implementation affect a company, the models and theories which could help in achieving a sustainable relationship marketing implementation program.

## **1.1 Research problem and research questions**

DB Schenker is a major player in logistics industry: however it is also faced with stiff competition from other competitors in the industry. The research problem of this thesis is therefore, to evaluate and analyze the customer relationship marketing level of DB Schenker business and seeking to find better ways to keep good relationship for the existing clients and winning new potential customer. As a means of retaining existing customers and thus winning new customers; this research seek to provide answers to the following research questions

1. What are the factors that affect the customer relationship?
2. What is the current strategic level of customer relationship marketing implementation in DB Schenker?
3. To what extent can DB Schenker maintain relationship with customers?
4. What approach could DB Schenker adopt to improve its customer relationship marketing?

## **1.2 Aims and objectives**

The main objective of this study is to explore why and how relationship marketing and service approaches are applied in logistics services from the provider point of view (DB Schenker Finland). The focus will be on managing customer relationship; management of other relationships will be discussed briefly.

The study will be beneficial to DB Schenker in supply chain. It can also help its customer to understand how DB Schenker operates and the value they provide; this better understanding might be useful for both sides to improve their relationships. Moreover, it also provides a framework for DB Schenker to inspect their operations and identify possible areas for improvement. The improved performance of DB Schenker will result in improvement of effectiveness of the whole supply chain.

## **1.3 Research approach and methods**

This research will base on a qualitative research design through single case analysis methodology. The aim is to achieve an in-depth understanding of a practical phenomenon in

its context of real life situation. A case study is used especially when the boundaries between phenomena and context are not clearly defined.

Therefore this research will be conducted with semi-structured interviews. Structured themes with questions are to be used through the interview, but follow up questions might occur during the interview and give more insightful understanding of the subject.

Herewith, the objective of this thesis is to examine the relationship from the company perspective to their customer and the possibilities of managing and maintaining the customer relationship.

#### **1.4 Structure of the thesis**

This research is divided into six chapters.

Chapter 1 covers introduction aims, objectives and research design.

Chapter 2, the case company and its current configuration is introduced.

Chapter 3 covers theoretical review of which theories of relationship marketing in service context are utilized. The results of the theoretical review are summarized to form conceptual framework for the case study.

Methodology, data collection and data analysis process together with Validity and reliability are discusses in chapter 4.

In Chapter 5 summary of key results and limitations of the results are discussed.

Finally, a conclusion and implication is given in Chapter 6.

## **2 Presentation of DB Schenker Logistics**

### **2.1 Key services and products**

The DB Schenker services in Finland consist of international air and sea freight, European and national land transports, warehousing and integrated logistics services as well as scheduled cargo time-definite deliveries in the whole of Finland. With 2,400 staff at 19 locations, DB Schenker is the market leader for logistics in Finland. The operation system covers international land, air and sea transports and other services related thereto, including special transports, transit warehousing and event logistics i.e. the operations of the whole DB Schenker Oy. (DB Schenker 2010.)

#### **National Operations**

DB Schenker Finland operations consists of Kiitolinja transports, Express parcel deliveries and JOT home deliveries services.

Kiitolinja chain is responsible for domestic land transports of DB Schenker in Finland. It offers advanced transport, logistics and information services that meet market's demands for quality, efficiency, simplicity and environmental responsibility. The Kiitolinja chain consists of scheduled transport, collection and distribution, more than 900 vehicles, 18 terminals and 13 service points. All this together with they operations control system enables reliable transport and information flow throughout the chain. (DB Schenker 2010.)

Express parcel service offers customers national parcel services, which are developed especially for Finland's circumstances and said to be flexible and highly secure. JOT Home delivery makes households' life easier by offering transport, assembling and recycling services related to home decoration and home appliances. With the help of Home delivery you can get a perfect and finished service. They deliver your customer's shopping home and install or assemble them ready. They have skilled drivers that are highly professionals who guarantee a pleasant service at their customer's home. The versatile services include for instance. (DB Schenker 2010.)

- Assembly of furniture



- Installation of household appliances
- Tuning of televisions, videos, dvd-players and home theaters

(DB Schenker 2010.)

## **2.2 Description of the competition situation**

Because of the ever-hardening international competition no company can remain unchanged. Continuous development is a must in order to stay competitive. In logistics the changes in production and markets cause vast needs for changes even in a very short time frame. (DB Schenker 2010.)

To be able to respond to the changes in the customer needs, the companies must have very tight and good knowledge of the customer's business and its demands on logistics is needed. This helps in understanding the effects that different changes in logistics set-up mean and makes it possible to create a feasible concept to support the new structure. (DB Schenker journal 2010.)

Understanding the customer's business and continuously developing the co-operation are vital for the building of a successful supply chain and creation of competitive advantage in logistics. (DB Schenker journal 2010.)

Globalization has expanded markets. In order to maintain competitiveness, DB Schenker has relocated production in low-cost countries. With comprehensive logistics management it is possible to decrease the distance between remotely located production sites and markets and to reach markets faster and more reliably. The requirement for this is comprehensive service and ability to co-ordinate operations efficiently and with a competitive rate level. (DB Schenker journal 2010.)

It is essential to track shipments in real time. This applies to finished products, semi-finished products and raw materials alike. Continuous development in logistics will provide a competitive edge via new, efficient and applicable solutions. Concentrating on a limited number of suppliers increases controllability and efficiency in future development. Comprehensive logistics services and functional transportation network together with

international account management create the foundation for successful co-operation. (DB Schenker journal 2010.)

DHL Freight (Finland) Oy, DSV Road Oy, Oy Kuehne + Nagel Ltd, Itella Oy and TNT Suomi Oy are the major logistics in Finland. (Niinikoski 2007.) DHL, Itella and DSV operate in different business units. These three companies have expanded rapidly especially because of past and quite recent acquisitions and fusion with other forwarding companies -This fact explains why they are operating in different units. For instance, DHL before named DHL Express (Finland) Oy has been operating under the brand name DHL Freight (Finland) Oy since January 2007. These changes are due to fusion with Danzas and acquisition of Excel. Nowadays DHL Freight (Finland) Oy operates in four business units: (Mykkänen 2008.)

- DHL express (Finland),
- DHL Freight,
- DHL Global Forwarding (Finland) Oy and
- DHL Excel Supply Chain.

DSV in Finland functions as:

- DSV Road Oy,
- DSV Domestic Oy,
- Uudenmaan Pikakuljetus Oy,
- DSV Air & Sea Oy and DSV Solutions Oy.

DHL, Schenker, DSV Oy Kuehne + Nagel Ltd and TNT Suomi Oy 2007 are all operating in terms of international companies offering air and ocean freight services and global logistics. (Mykkänen 2008.)

### **2.3 International Business Operations**

DB Schenker World wide combines all transport and logistics activities of Deutsche Bahn employing over 88,000 people spread across about 2,000 locations in about 130 countries. With turnover of some 18 billion euros, it is the leading company – both in Europe and worldwide. (DB Schenker 2010.)

DB Schenker is one of the leading globally integrated logistics service providers and has a leading goods transport rail network at its disposal. DB Schenker stands apart with its dense network of locations in the world's most important economic regions, in air and ocean

transport, in European land transport, in contract logistics as well as in supply chain management. With this very special combination they can provide quick and efficient solutions for the most varying client requirements with both trade and industry. (DB Schenker 2010.)

International markets grow together and outsourcing of complete service packages gains ground. As a result of such trends not only does the requirement for transport increase, but also the demands placed upon partners. The liberalisation of European rail goods transport market has led to a rapid comeback, especially for transport providers. (DB Schenker 2010.)

#### **2.4 Business Environment strategies and quality**

Operation system of Schenker Oy is based on a simple and clear operational policy: consistent procedures and annual targets set. The quality part of the system is based on the SFS-EN ISO 9001 Quality Standard revised in 2000 and defining the cooperation between the company and the customer. The environment part is based on the SFS-EN ISO 14001 Environment Standard and defining relations between the company, environment and community. The Security Standard required is OHSAS 18001. The security part defines customer security i.e. Safe transport of goods and information security and, in addition to that, matters concerning company and personnel security. (DB Schenker 2010.)

However DB Schenker develops markets and produces transport and logistics solutions that are in accordance with the customers' demands offering reliability, quality and simplicity. Unique national and global networks together with valuable information services are the main priorities in conjunction with the high level of competence. (DB Schenker 2010.)

#### **Sustainability**

DB Schenker sees no contradiction in ecology and economy, which is why DB's logistics specialists prefer solutions that satisfy both the customer's economic needs and their own ecological demands when planning their operations. (DB Schenker 2010.)

DB Schenker takes its responsibility for the environment very seriously. Sustainability is an integral part of the corporate philosophy; it is practiced and constantly being developed. In the

development of their products and services, for example, the logistics specialists focus on innovation and invest in new environmentally sound logistics solutions and technologies. (DB Schenker 2010.)

The rail freight carrier is particularly environment-friendly. With its rail freight operations, DB Schenker reduces the impact on the environment of over four million tons of CO<sub>2</sub> each year compared with trucking services in the same period. DB Schenker also relieves the environment by using the most appropriate modal split when combining the benefits of trucking, ocean freight, airfreight and rail. (Db Schenker 2010.)

## **Personnel**

Attracting and retaining a well-skilled labor force is certainly one of the key strategies that DB Schenker use to remain competitive in its area of competence. Additionally, the personnel of DB Schenker is well trained and has experience in relative fields spanning many years. The future success of DB Schenker as a viable business enterprise depends on the course of an annual process and systematic development. (DB Schenker 2010.)

The executives play a central role in that process. During the first step, they praise the potential of their own staff. These appraisals are then reviewed at departmental meetings according to the principle of multiple controls. The executives are also responsible for ensuring that employees with potential and high performers in their own sector are given support and development opportunities in accordance with their particular skills. (DB Schenker 2010.)

The object is to fill an increasing number of vacancies from within own ranks, based on a Group-wide overview of the internal management potential and systematic successor planning. (Schenker 2010.)

This process offers obvious benefits for both employees and the company. The employees have the chance of discovering their own strengths and development potential, which they can develop systematically and thus assume responsibility for their own career path. At the same time, the annual appraisals provide commitment and continuity – for both sides. (DB Schenker 2010.)

### 3 Relationship Marketing Implementation

Theory development prior to the collection of any case study data is an essential step in doing case study (Yin 1994, 28). The goal of theory review is to develop a sufficient blueprint either develop or test theory. In this study, a combination of theories of relationship marketing implementation in service context is adopted.

In this part, the theoretical basis for applying of relationship marketing and service perspective in the logistics service industry DB Schenker is examined. First, justification of choosing these theories is discussed. Theories of relationship marketing, relationship marketing in service context, and service quality are presented. Implications of adopting relationship marketing in service context toward DB Schenker Oy are explored etc.

#### 3.1 Relationship Marketing

Relationship marketing is based on service management and marketing approach, the Nordic school of services, as well as the interaction and network approaches (Leminen 1999, 20). At heart of relationship marketing lies with proposition that the fundamental purpose of marketing is the creation and long-term, profitable relationship with customer (Christopher 2001, 28). Table 1 shows that the major difference between the relationship focus and the transactional focus is the emphasis upon continuous commitment to meeting the needs of individual customers and that service and quality are particularly stresses (Christopher 2001, 29)

Table 1 The shift to Relationship Marketing (Christopher 2001, 29)

| Transaction focus   | Relationship focus   |
|---|--|
| <ul style="list-style-type: none"> <li>▪ Orientation to single sale</li> <li>▪ Discontinuous <b>customer contact</b></li> <li>▪ Focus on product features</li> <li>▪ Short time scale</li> <li>▪ Little emphasis on customer service</li> <li>▪ Limited commitment to <b>meeting</b> customer expectation</li> <li>▪ Quality is the concern of <b>production staff</b></li> </ul> | <ul style="list-style-type: none"> <li>▪ Orientation to customer retention</li> <li>▪ Continuous customer contact</li> <li>▪ Focus on customer value</li> <li>▪ Long time scale</li> <li>▪ High customer service emphasis</li> <li>▪ High commitment to meeting customer expectation</li> <li>▪ Quality is the concern of all staff</li> </ul> |

Gummesson, (1997, 55) defines relationship marketing as relationships, networks and interaction. It is to identify and establish, maintain and enhance, and when necessary terminate *relationship with customers (and other parties)* so that all the objectives regarding economic and other variables of all parties are met. This is achieved by mutual exchange and fulfilment of promises.

In specifying types of relationships, Gummesson (1997, 55.) presents 30Rs approach and categories relationships into four types: classic market relationships, specific market relationships, Mega market relationships and Nano relationships. The first two are market relationships, which are relationships between suppliers, customers, competitors and others who operate directly in the market. They constitute the core of relationship marketing. The other two are non-market relationships that indirectly influence the efficiency of market relationships. While Mega relationships provide a platform for market relationships and concern the economy and society in general, Nano relationships concern the internal operations of organisation. (Leminen 1999, 20.)

It is beneficial for the provider to compare the **30Rs** list to find out what are essential relationships, and spot out those hidden and seemingly unimportant relationships that might be otherwise easily neglected. Table 2 below shows different types of relationships a logistics service provider may have in its business operations. The researcher has developed this table by comparing to Gummesson's 30Rs list (1997, 55.) see appendix 3. Among these relationships, relationships with other parties in supply chain such as carriers, the suppliers and clients of the users, other authorities, and even competitors are very important. For a member company of a global logistics provider, the relationship with sister companies in other destination and internal marketing are vital in ensuring service quality. However, the primary relationship for the logistics provider is no doubt the relationship between the provider and the user, which is focus of this study.

Table 2 Relationships List for Logistics Service Providers

| Classic market relationships  | Special market relationships   | Mega relationships  | Nano relationships  |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>▪ Carriers</li> <li>▪ Service users</li> <li>▪ Competitors</li> <li>▪ Subcontractor</li> <li>▪ Harbour operator</li> <li>▪ Custom Offices</li> </ul> | <ul style="list-style-type: none"> <li>▪ Full time marketers and part time marketer</li> <li>▪ Service encounter: interaction with customer</li> <li>▪ Customer's customer</li> <li>▪ Mental and physical proximity to customers</li> <li>▪ Dissatisfied customer</li> <li>▪ Customer's as member</li> <li>▪ Electronic relationship</li> <li>▪ Brand and company image</li> </ul> | <ul style="list-style-type: none"> <li>▪ Personal and networks</li> <li>▪ Governments, legislation</li> <li>▪ Alliance company</li> <li>▪ Knowledge relationship</li> <li>▪ Mega alliances: EU, NAFTA, etc</li> <li>▪ Mass media</li> </ul> | <ul style="list-style-type: none"> <li>▪ Mother company</li> <li>▪ Sister companies</li> <li>▪ Inter-functional and i hierarchical depende</li> <li>▪ Quality management</li> <li>▪ Internal market</li> <li>▪ External marketing se provider</li> <li>▪ Owner and financier relationships</li> </ul> |

### 3.2 Relationship Marketing in Service Context

Relationship marketing and service are closed linked. The researcher from the Nordic school has been developing theory on relationship marketing, service, service management and service quality for more than 20 years (Harriet, 2003.). Grönroos (2007, 23.) discusses relationship in a service context and emphasizes that service are inherently relationship-oriented sectors (Leminen 1999, 24.)

Services itself have unique characteristics that differentiate them from goods or manufactured products. The four most commonly ascribed characteristics are: intangibility, heterogeneity, inseparability and perishability (Payne 1993, 7.). Conclaves (1998, 4-5) adds more to the lists: sensitivity to time, difficulty in measuring and controlling quality, high degree of risk/difficulty

in experimentation, customization of the offering and personalization of buyer-provider relationship. Grönroos (2007,47.) summarizes three basic characteristics of services as follow: services are processes consisting of activities or a series of activities, services are at least to some extent produced and consumed simultaneously, and the customers participated in the service production process at least to some extent. Hence, Grönroos (2007,55.) develops a service-marketing triangle as in figure 1 to manage customer in service context.



Figure 1: The service Marketing Triangle (Grönroos 2007, 55)

While in the traditional marketing theory, marketing is very much directed towards giving promises through external marketing program, the service marketing emphasis on the role of internal marketing and continuous development in enabling promises, and interactive marketing in keeping promises. Internal marketing is a prerequisite for external marketing (Grönroos 1997). It also indicates that a firm has not only *full-time marketers* but also *part-time marketers*. Part time marketers are people in the firm that create value for customers in various services processes and through customer's contacts; they are equally important in managing customer relationships.



### 3.3 Service Quality

Due to the characteristics of services, It is difficult to establish precise measurements for measuring the quality. However, service quality is essential to the relationship quality, and therefore need to be determined. In understanding service quality, Grönroos' perceived service quality model (2006, 67.) is adopted here as shown in figure 2 below.

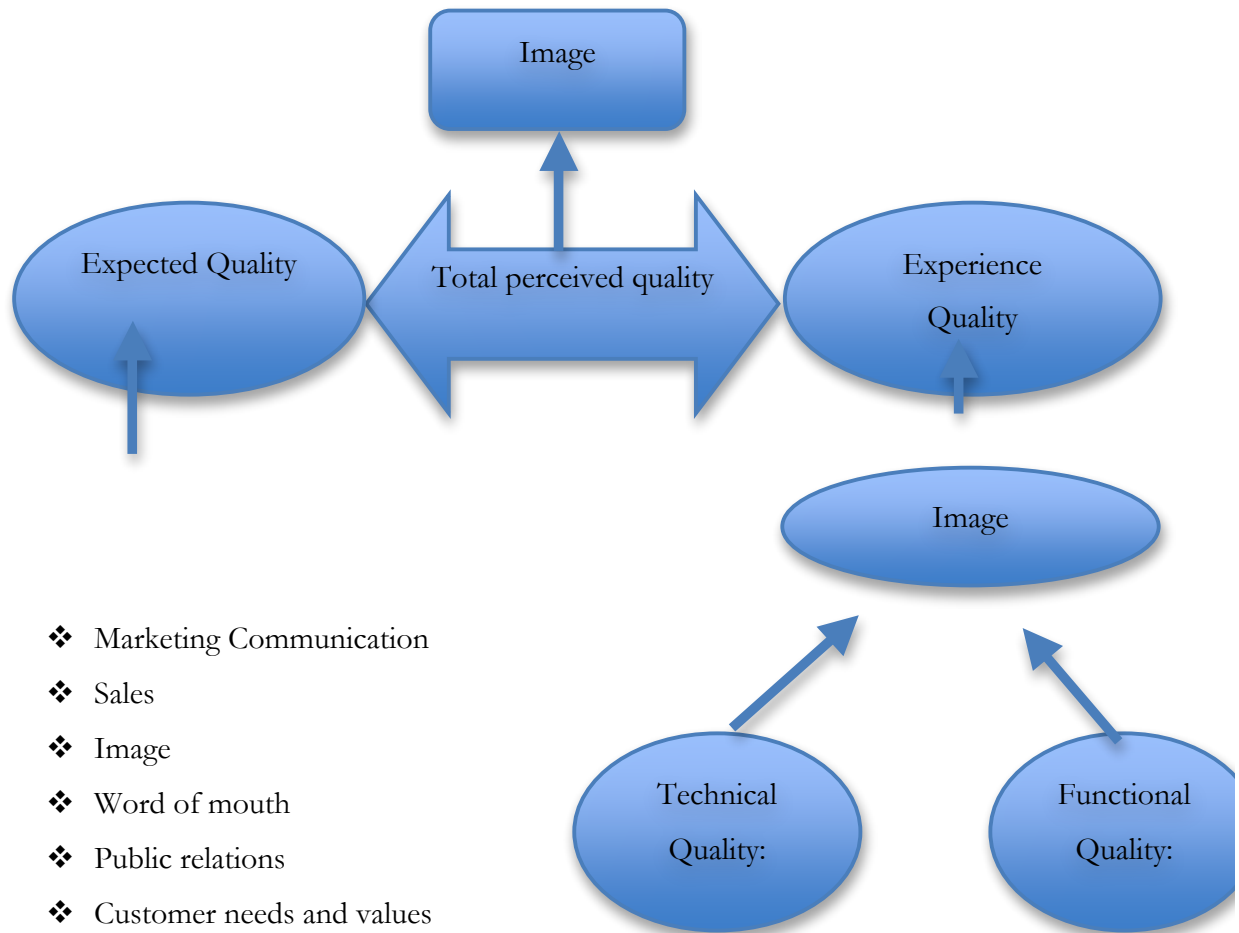


Figure 2: Total Perceived Quality (Grönroos 2000, 67.)

From this model, it can be seen that customer's perception of quality derives from the comparison of their expectations and experiences. Customers from service expectations, experience, word of mouth, and advertising. Customer compare the perceived service with the expected service. If the perceived service falls below the expected service, customers are disappointed: if the perceived service meets or exceeds their expectations, they will want to

use the provider again. Consequently, the logistics provider should be careful about the promises it makes in its marketing efforts, and be wiser to over-promise and under-delivery.

Grönroos (2000, 81.) further provides a list of determinants or factors of good service quality. The seven criteria of good perceived service quality are: professionalism and skills, attitudes and behavior, accessibility and flexibility, reliability and trustworthiness, service recovery, and reputation and credibility. This list is useful as starting points for managers who want to develop an appropriate list of attributes or features that describe a given service in their firm.

Goncalves (1998, 26-27.) uses the service system concept; the most effective way to assure high quality is to link of the business as a system, with the major components of service system being: employees or internal customer, customer and other outside parties, vendors (channel members who are part of the same corporation, such as departments, divisions, or subsidiaries that support one another), communication system, and physical goods. All these components must work together to create a unified system that maximizes the potential of the firm. (Dibb & Meadows 2004, 34.) develops a framework to examine whether a company is high or low relationship marketing focused from four areas: Company, customer, technology and staff.

### **3.4 Strategic planning of relationship management**

Strategic planning is an important mechanism and tool for managers so to secure the organisation's survival in never-ending environmental changes. This is a process of matching the organisation's capabilities to opportunities in a changing environment (Webster 1979, 34.) Planning deals with the futurity of current decisions, it also looks at the alternatives courses of actions that are open in the future; and when choices are made among the alternatives they become the basic for marketing current decision (Steiner 1979, 56.)

This idea begins with objectives, meaning what managers envision accomplishing and through these plans on how, when and where these goals will be attained (Harrison 1995).

Organisation more often not employ multitude of different planning process in their attempt of strategic planning. In this case, the particular process and plan format are not what is

important; it is thinking that goes into the plan and the learning that results. According to Anderson and Narus (1999) three fundamental questions that are asked in relation to the planning process are.

- What do we know?
- What do we want to accomplish?
- How will we do it?

### **What do we know?**

In this business setup, firm should be able to identify and distinguish what they know, what he accepts as true and what they want to accept as true. In this case, it should be done by finding accurate explanations of past performance and put them in a casual and Asses the plausibility of the casual sequence occurring. (Anderson and Narus 1999, 98.)

Furthermore, firm should also assess the strength and weakness and conduct marketing audit. A marketing audit is simply an in-depth analysis of all the firms marketing activities (Webster 1979, 79.)

### **What do we want to accomplish?**

In this case, firm should try to identify what they want to achieve and try to reach a decision on market strategy alternative they would want to pursue. In reaching a strategy alternative decision, a firm should use consensus with qualification, in the sense that he management team attempting to reach a shared agreement (Anderson and Narus 1999). The desire of management teams to achieve a leadership position in some area of product technology, response to customer needs or market share is typical goals set by a firm. Moreover the most useful goals are those focuses and define the business the firm is in (i.e. product/market strategy) and thereby do so in a way, which permits flexibility in response to the market over a long period of time (Webster 1979, 81.)

### **How will we do it?**

For an organisation to realise its goals, an action plan must be set to translate the market strategy into activities in order to attain what it wants to accomplish. Anderson and Narus (1999) deduced four fundamental behavioural skills of managers when putting strategies into implementation namely:

- Interaction skills- this is how managers' behavioural style is measured by how he/she relates to people both inside and outside the firm. Furthermore, the way manager negotiates, works together with other and uses influential strategies to meet the firm's goals.
- Allocation skills - In this case, it is how managers have the ability to configure time, people and money
- Monitoring skills - It refers to how managers intervene when needed in ongoing activities and stay well informed on a firm's operations.
- Organization skills – This is the managers ability to bring together resources so to accomplish a market task and connecting relationships in the organisational structure

### **3.5 Strategic implementation of Relationship marketing**

The implementation of relationship marketing will have many implications for a service organization both strategically and tactically. In strategic level, there will be implications on company's strategy, organisational structural and culture, and management. For a firm pursuing a relationship marketing strategy the inter-organisational collaborations between marketing, operations, personnel and other functions are strategic important to success. The most significant is the movement away from transaction-oriented strategy to more relationship-oriented strategy. In tactical level, there is need to establish customer base; develop customer service quality monitoring and measuring system; customer service offering, create integrated and interactive communication channel; personalized communication messages, and adopt loyal customer system and other feasible methods (Grönroos 2000, 27.)

Due to the important of people in marketing of services, it is increasingly being recognized in service firm that in order to successful at marketing to the external customers; internal marketing to the staff is essential (Payne 1993, 163.). Developing and maintaining a relationship orientation cannot be the responsibility of the marketing department alone, but must be fully integrated across all factions of services provider and among all personnel.

Internal marketing is task of hiring, training and motivating employees who wants to service customers well. The two main aspects of internal marketing are: every employee and every department within an organisation both have the role in as internal customers and internal suppliers, and must provide and receive excellent service; people needs to work together as a

team in a way that is aligned with the firm's stated mission, strategy and goals, especially in a high-contact service firms where are high levels of interaction between service provider and customer.(Payne 1993,166.)

As shown in the perceived service quality model, customer satisfaction involves comparison of the customer's expectation of the service delivery and actual experience of service delivery. Service organisation like the logistics providers need to develop accurate measurement to quantify the levels of services performance and avoid over-promise and under deliver.

### **3.6 Customer analysis and relationship management**

Markowitz (1952) argued that the portfolio theory was earlier used for financial investment decisions in the 1950s. Expected returns and degree of risk were the main variables used in the portfolio model to make financial investment decisions. The portfolio theory has been used in other academic areas apart from financial.

The approach has been used by strategist to achieve their goal in organisations by classifying their products/services and organisation on different important extent (Wind and Douglas 1981, 98). Also Marvin (1972) contributed that portfolio theory was earlier used in programs where assessment of the products must be done for present and future market share, sales and quality of product, cost and investment that are vital.

The 'time dimension' from the theory of portfolio proposed by Merton (1990) enhanced the implementation of inter-temporal portfolio selection, option pricing, performance evaluation and dynamic investment strategies. The portfolio model is seen as a process used in the development of a business.

Many management researchers have contributed the relationship theories. Fiocca (1982) explaining many factors associated with the buyer behaviours and supplier relationships. The idea behind these relationship portfolios is to enable organisations to retrieve appropriate information from customer to decide the best way of managing their customer relationship. Customer relationship is seen important area of analysis in the supplier and customer relationship in business-to-business marketing.

### 3.7 Customer Relationship management

This is the case where customer relationship management and key account management are tools used to manage the customer portfolio. Below are various applications used or applied when it comes to the management of the portfolio.

The relationship between suppliers and their customers must be well managed for an effective running of the business. According to Almquist, Bovet and Heaton (2004) the increase in the cost of attaining a new customer triggers the urge of most organisations within certain industries to keep their own beneficial customers. This is the way most organisations strategize in order to prevent their customers from leaving and then switch to a different supplier. Almquist et al. (2004) continue on the argument that due to the various measures like information retrieval on customer behaviour, the high cost in getting new customer and sustain the relationship, suppliers are required to follow the customer relationship management (CRM) concept. CRM is a strategy that is applied to know more about the needs and actions of the customer in order for a mutual relationship with them. (Deck 2001, 79.)

Almquist et al (2004) contribute on the note that the only aspect that differentiates the small amount of companies with the use of CRM was the apparent focus they had on uplifting customer value. This is the strategic move for organisations to really build a long-term relationship with their customer for a maximum profit to them. According to Schaller, Piller and Reichwald (2004), CRM is not of know-how but as derived from the name, customer, the organisational relationship with others, and the likelihood of establishing this relationship.

Furthermore, Almquist et al (2004) derived four principles on the note of using the CRM to create value that are:

- Organisation creating the right in maintaining, keeping and attaining their profitable customer in order to bring about value growth.
- Organisations retrieving the right information from their customers by conducting research on behavioural aspects, collecting financial and operational data and making use the most important ones that matters.

- Organisations using correct value metrics such as customer- level return on investment, customer lifetime value, and customer acquisition rate and relationship depth to increase the customer value.
- Organisations developing into a learning institution to assemble and take steps for right information from customers in order for continuous daily operations.

### 3.8 Supplier-Customer relationship Management

#### Model 1: Two-Step Customer Based Portfolio Analysis

One well-known customer portfolio model is the two-step portfolio analysis (Fiocca, 1982). The model consist of two step with which the first step (see figure 3) entails that the organization analyses its customers on a general level, meaning that considerations have to be taken in terms of how strategically important the customer is to the firm, as well as how difficult the customer relationship is to manage. Once, existing and potential customers are positioned in the first step, the analysis moves onto the next step

- **Difficulty in managing the account** – It is a function of the intensity of competition for the customer, customer buying behaviour and the distinctiveness of the product bought by the customer.
- **Strategic importance** – It is determined by value/volume of purchases, the potential and status of the customer, customer market leadership, and the overall attractiveness to the supplier in making strategic improvements and adaptation to customer specifications.

Step 1:

|                      |                          |
|----------------------|--------------------------|
| <b>Key Difficult</b> | <b>Non-Key Difficult</b> |
| <b>Key Easy</b>      | Non-Key Easy             |

Strategic Importance of the Account

Table 3 step 1 of two-step Customer Based Portfolio Analysis (Fiocca 1982, 56.)

The matrix above shows that the customers who are ‘key easy’ are strategically important and more easily to manage their account. The next of key interest to the supplier are those customers who are key difficult, non-key easy difficult systematically in the matrix.

In the second step (figure 4) in Fiocca’s model, customers are positioned within another two-dimension matrix, which measures the attractiveness of the customer in relation to the supplier –customer relationship strength (Zolkiewski and Turnbull 2000). Fiocca (1982) present some variables that may be used in order to assess the different axis:

- **Customer’s Business Attractiveness** –It is determined by considering a number of factors that are related to the customers market (Growth rate, competition, maturity, changes in the environment, etc) and the status/position of the customer’s business within the market.
- **Relative Buyer/Seller Relationship** – It is evaluated by applying a mix of objective, judgmental or subjective factors: Length of relationship, importance of the customer, friendship, co-operation in productive development, social distance, etc

Step 2:

|                                    |        |      |
|------------------------------------|--------|------|
| 3                                  | 2      | 1    |
| 6                                  | 5      | 4    |
| 9                                  | 8      | 7    |
| Strong                             | Medium | Weak |
| Relative Buyer/Seller relationship |        |      |

Table 4: Two- step Customer Based Portfolio Analysis (Fiocca 1983, 56.)

From the model above it can be inferred that a customer in ninth position may be preferable and the least customer would be one. However, the portfolio model is subjective so it depends on the organisation preference of its customer.



**Model 2: Balance in buyer/Seller Relationship**

Corresponding analysis of portfolio strategy for marketing management in an organisation has been developed by Campbell and Cunningham (1983, 276.). They have develop their strategy with a three step portfolio analysis strategies for marketing which is allege to be their emphasis on developing an effective relationship management of customers, customer preferences, portfolio planning customer market and intensity of competition. Figure 5 below depicts the power balance of the customer and the supplier and the effects it has on making decision of the portfolio.

|                                    |                               |
|------------------------------------|-------------------------------|
| <b>Dependent (Buyer Dominated)</b> | <b>Interdependent</b>         |
| <b>Independent</b>                 | Dependent (Supplier Dominant) |

Table 5. Power judgments in Portfolio Decision (Campbell & Cunningham 1983, 276)

**Stage 1**

This stage explains the nature and attractiveness of the customer relationship using customer life cycle stage on the axis and various customer data on the other. The customer life cycle stage is divided into tomorrow's customers, today's special customers, and today's regular customer to supplier. (Campbell & Cunningham 1983, 276.)

The other aspects of the analysis are multivariate, quantity of sales, utilization of strategic resources, relationship length, and supplier share of customer's purchasers and profitability of customer to supplier. (Campbell & Cunningham 1983, 276.)

Campbell and Cunningham 1983 argued that by dividing it like this will enhance strategic resources and in turn ensure the future health of the business, are allocated amongst customers. (Campbell & Cunningham 1983, 276.)

## Stage 2

This stage stresses on the customer own performance as an important aspects of customer portfolio planning. The Customer share of its own market is combined with customer's demand for the supplier product and used to produce a second matrix classification. A circle represents the various customers, which is indicative of volume of purchase. This circle can then be segmented to show the volume purchased from the supplier and the supplier's competitors. (Campbell & Cunningham 1983, 277)

## Stage 3

At the final stage key customer are chosen for scrutiny. The matrix provides information on key customers. The customer growth rate, which may be high, medium, low or may decline, is represented on vertical axis and the competitive position influence by relative share of customers purchase is also position on the horizontal axis. Hence, organisations are placed on the position that represents their quantity of sales. (Campbell & Cunningham 1983, 277)

## Model 3 – Supplier Classification Matrix

Krapfel, salmond and Spekman (1991, 27) also used a portfolio approach to analyse customer relationships and proposed a relationship classification matrix based upon the concept of relationship value and interest commonality, they suggest that relationship management style should be varied according to the perception of power and interest commonality

|                |               |
|----------------|---------------|
| <b>Partner</b> | <b>Friend</b> |
| <b>Rival</b>   | Acquaintance  |

Relationship Value

Table 6. Supplier Classification Matrix (Krapfel, Salmond and Speckman et al 1991, 27)

Krapfel et all. (1991, 28) define relationship value (RV) as a function of four factors; criticality (Cj), quality (Qj), replaced ability (Rj), substitution and slack (Sj).

$$RV_i = f(C_j, Q_j, R_j, S_j)$$

Krapfel et all. (1991, 28) elaborate in its relationship value function that  $RV_i$  signify the value of the relationship to the seller and  $C_j$  is the criticality of the products purchased by the buyer.

Also, QJ is the quantity of the seller's output consumed by this buyer and RJ is the replaced ability of this buyer (The exchange cost of accessing other buyers). SJ is used by Krapfel et al. (1991, 28) to note the savings on cost resulting from the buyer's practices and procedures.

### 3.9 Key Account Management (KAM)

Building a continuing relationship with customers is a vital aspect to consider. As a result an applied part that can be used to build the relationship is the concept of key account management (KAM) with which Diller (1992) explain as a tool that entails selling and company's plan to attain an ongoing customer relationship. In addition, MacDonald, Millman and Rogers (1997) states also that KAM is a techniques applied by organisations with the objective of creating a loyal customer portfolio with a product/service bundle offered to them specifically to their needs and thereby generating a continuing relationship. This is case where the relationship between the supplier and the customers are of importance and moreover a long term relationship.

According to Ojasalo. J (2001, 202) practices of KAM are in this model figure below

#### KEY ACCOUNT MANAGEMENT



Figure 3: Elements of KAM (Ojasalo, 2001, page 202)

From the above figure; this is the case where organizations are to know what key accounts are vital to them in terms of strategic standings. Considering the fact of supplier's relationship to the customers and the ones of strategic importance. (Ojasalo 2001, 202) derived four measures to find out the most vital key accounts namely:

- The amount of sales incurred
- Utilization of strategic recourses
- The maturity of the relationship and
- The customer's profitability to suppliers

### 3.10 Summarizing conceptual framework

The research is based on the fact that management between suppliers and customer's relationship is a vital aspect in the business-to-business sector. This explains that the environment, which is vital aspect in businesses, should be taken into consideration. With this, a strategic planning opening the way for organization to decide on what they know, what to accomplish and how to do it. This sets a way for the supplier or the organization to study or examine what customer portfolio to manage and maintain. Furthermore, an applied part of management is used as tools to maintain and manage the customer portfolio. Following this trend brings about the attainment of the goals for the organization.

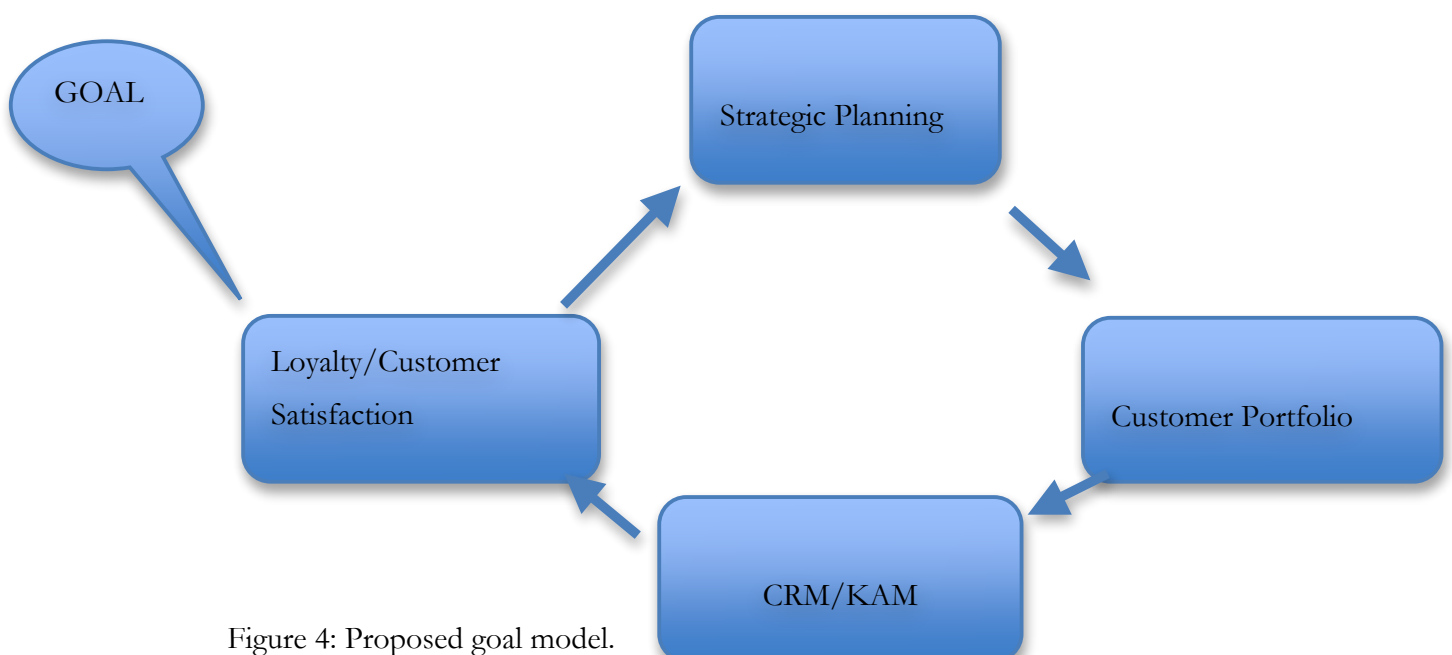


Figure 4: Proposed goal model.

## **4 Research approach and methods**

In this chapter, the research discusses the research method in this study. Brief details about the background of the question will be also discussed in this chapter. Validity, reliability and objective of the research method is also discussed in the same chapter.

### **4.1 Research approach – qualitative research**

The research approach is often either quantitative or qualitative. Qualitative data implies ‘soft’ data such as ‘atmosphere at work’ and is often presented as words and observations (Patel & Tebelius 1987, 36). Quantitative data implies ‘hard’ data, like information on profits gained and order size, and is often presented as numbers that will determine the quantity or extent of some phenomena. Both approaches have their strength and weakness and neither one of the approaches can be held better than the other. The best research method to use for a study depends on that study’s research purpose and the accompanying research questions (Yin 1994).

The research method chosen for the purpose of this study is the qualitative method. Qualitative research methods are valuable in providing rich descriptions of complex phenomena; tracking unique or unexpected events; illuminating the experience and interpretation of events by actors with widely differing stakes and roles; giving voice to those whose views are rarely heard; conducting initial explorations to develop theories and to generate and even test hypotheses; and moving toward explanations.

In this method, research attempts to use different means of data measurement, which includes cause and effective thinking, use of hypothesis, variables, questions and experiments. These variables are related to the hypotheses and questions and are used to produce reliable data for the purpose of the research. (Creswell 2003, 18.)

## 4.2 Data collection and data analysis process

A research design is the logic that links the data to be collected, and the conclusions to be drawn to the initial questions of a study (Yin 1994, 18)

The theoretical framework provides a basis for research problem, research design and data collection. The data utilized in this case study is obtained from a combination of primary and secondary data sources. Adopting multiple sources of evidence can increase the construct validity and reliability of the study case. Secondary data include company's internal and public materials and a selection of articles and research reports from various reliable sources in the relevant industry. Primary data will be mainly gathered through semi-structured interviews, discussion and direct observations (see appendix 1).

A total of 5 interviews were made and interviewees were carefully selected in order to ensure the validity of the data. Interviewees have been selected from different functions in the company and from both managerial level and operational levels, which include the managers and operating personnel.

Table 7: List of interviewees and their positions and place for interviews.

| Interviewee and position | Position          | Week | Place                                     |
|--------------------------|-------------------|------|---|
| Mr Sebastian             | Warehouse Manager | 2    | DB Schenker warehouse in Helsinki         |
| Mr Michael Airene        | Sales manager     | 4    | DB Schenker main office Metsälä           |
| Pirita Laukkenen         | Controller        | 13   | DB Schenker warehouse in Helsinki         |
| Employee                 | Ordinary worker   | 15   | Warehouse unit of DB Schenker in Helsinki |
| Employee                 | Ordinary worker   | 15   | Warehouse unit of DB Schenker in Helsinki |

Semi-structured interview method is used: it not only allow interviewer to focus on the points of interests, but also allow the interviewee a degree of flexibility to expand on an answer. Interview questions are divided into four groups: company, customer related, relationship and environment related. Primary data through discussion and direct observation has been recorded during the whole entire interviews. Data collected are analysed in a qualitative process with focus on discussing the empirical evidence in relation to the relevant theories. Attention is given to maintain a chain of a evidence, that is to link the research questions, the data collected and the conclusion drawn.

### **4.3 Reliability and validity**

The quality of a research can be judged by testing the validity and reliability of the research. According to Yin (1994, 33), there are four tests that can be used to establish the quality of the case study; construct validity, internal validity, external validity and reliability. Constructive validity deals with establishing of correct operational measures for the concepts being studied;

Internal validity is to establish a casual relation, whereby certain conditions are shown to lead to other conditions; external validity establish the domain to which a study's findings can be generalized: and reliability demonstrate that the operations of a study, such as the data collection producers can be repeated, the same results can still be drawn.

Since the internal validity is for explanatory or casual studies only, and not for descriptive or exploratory studies, it will not be considered here because this case study is of exploratory nature. In doing case studies, there are three tactics available to increase construction validity: the use of multiple sources of evidence during data collection, establishing of a chain of evidence, and having the draft case study report reviewed by the key informants (Yin 1994, 34.)

External validity deals with problem of whether a study's findings are generalizable beyond the immediate case study. Case study is criticised as a poor base for generalization. However, the real business of a case studies particularization, not generalization (Stake 1995, 8.). The emphasis in doing a particular case study is on understanding of the uniqueness and complexity of individual case and its contexts. Besides, while survey research relies on statistical generalization, the case study studies rely on analytical generalization (Yin 1994, 36.)

which means by doing case study based on conceptual framework, the case study researcher is trying to generalize a particular set of results to some broader theory. In this sense, proper research design is important so as to maintain a chain of evidence through literature review, data collection, and data interpretation.

Since the qualitative case study is open to the perceptual bias and subjective interpretation of the research, it is difficult to ensure the reliability. An ongoing interpretive role of the researcher is prominent during the study (Stake 1995, 43). The special attention has to be given to minimize the bias and subjective error during the data collection and data analysis. The general way approaching the reliability problem is to make as many steps as operational as possible to conduct research, as if someone were always looking over the shoulder (Ghauri & Gronhaug 2005, 80.). Documentation of case study is also important to increase the reliability. Results from the interviews are also compared with those from direct observations and informal discussions so as to verify the reliability of the data. A final evaluation of the case study will be given still. (Ghauri & Gronhaug 2005, 81.).



## 5 Key results

Analysis of the data gathered is also very important in order to determine the characteristics or attributes influencing the customer marketing relationships. The data analysis and understanding of the determinants in customer relationships is the key point towards the efforts in improving service quality. (Naumann & Geil 1995, 238.)

### 5.1 Shaping relationship and service orientations

Importance of customer relationship and service orientations and the employees' role in improving customer relationship and service quality have been recognised by the management group of DB Schenker to articles in the DB Schenker publication for the supply chain group management team, one to one strategy employs two dimensions: one to one customer relationship means each of the group's customer should be treated as if they are the only one; one to one people relationships is to gain the trust and support employees and let each of the employees to understand the company's strategies, goals and the way to get there; and satisfied employees lead to satisfied customer. Both customer satisfaction and employees satisfaction surveys are conducted at the group level to provide empirical data for further improvement.

At the local level, the importance of relationship orientation can be sensed from the attitudes of managers and employees in the case company. The managers believe that better customer relationships lead to competitive advantage. '*Customer is always right*' is the common language for both managers and employees. The linear and centralized organisational structure has had negative effects on the intra-functional communications and service quality. Also, since many big decisions such as investing, budgeting and profit sharing are made at the group level, it also leaves local managers hands tied at some points.

With regards to communication inside the case company, it has been found that communication from group level to local level, communication inside functions, and communication between functions are adequate. There is good and formal communication plan, the communication and coordination is well organised. The communications reached at

the manager's level as well as to the employees. Customer information sharing between functions is also so adequate in manager's level and also seems enough in operation level. The level of sufficiency in communications effects directly and gives positive on the quality of service and the moral of employees.

In managing service quality, the DB Schenker has well developed service quality management system: a general quality manager is appointed to supervise and responsible for the quality of operations in general; in each functions, a person is assigned to take responsible of overseeing quality is maintained at operative level; each employees are required to record and report and occurrence of service failure.

DB Schenker also adopts a proactive and customer driven marketing strategy. Customer satisfaction and customer retention is the focus of marketing. Customer satisfaction survey is conducted once a year to find out what customer think about the service they received. Besides the contact made by external marketing forces, the operation managers are encourage to spend more time with contacting and communicating with customers.

## **5.2 Managing Relationship with customers**

DB Schenker defined several target industries for its global market, including high-tech, healthcare, consumer products, and automotive industries, these industries were selected because they view logistics as strategically important and the growing potentiality is great. However, DB Schenker chooses to serve all customers in all industries due to the reasons that the Finnish TPL (Third-Part-Logistics) market is relatively small and competitive enough, therefore all customer count.

DB Schenker customers can be big global or multinational companies and their subsidiaries that have sophisticated supply chain management requirements, or small local companies that require only basic freight forwarding service. The customer segment for DB Shenker is not clearly defined and customers come from different industries.

### **5.3 Relationship portfolio**

Relationship portfolio is approach to business whereby businesses focusing their resources on those capabilities they can perform extremely well, engage in strategic relationships to access the rest and to leverage their high-value capabilities, and manage the set of relationships as a portfolio. In this case companies engage in more strategic relationships and for more important activities in their value chain. Therefore partnering is not enough, they will need to partner intelligently.

There is no written analysis regarding to the length of relationship. According to the sales department, about 75 percent of the clients are local companies and the loyalties of these are quite high, some relationships are over many years long. The remaining clients are subsidiaries of big multi-national or global companies: the purchasing decisions in these companies are often made at headquarter level. Therefore, the relationships with these clients are unstable and can be dissolved quickly and unexpectedly. The focus of marketing is to maintain and prolong the relationships with current customer.

Long relationships are rewarded by more competitive pricing and more customized and fine-tuned services. Contract with small customer remain standard and simple. With big customers, customized standard operating plans are made available for controlling the handling process. Open-book contract, where costs and revenue are explicit between customer and provider and super-normal profits shared between two parties, has not been adopted at local level, but exist in-group level.

#### **Customer database and managing customer expectation**

DB Schenker understanding of the customer database for managing the information remains mainly at financial level: statistics for gross revenues, customer increase revenues, numbers of shipments during certain period and other figures. Information such as specific customer requirements and relationship information remains at the personal level and taking the form of tacit knowledge. This will cause the company a big problem if a sales person quit the job and the relationship data is lost from the company. Clearly, there is need for a more

centralized information system for this type of tacit knowledge. It might be a good idea to make a details relationship analysis of the company's largest customers to check how their logistics needs has been grown over years, how the relationships have been developed, and what are the major problems and obstacles in maintaining good and longer relationships.

Due to the variety of complexity logistics service offered in the market, it is very important, before entering a relationship, to understand the customer's expectation. Two major reasons that cause logistics relationship failure are: The parties have not reached a realistic understands about the job to be done; the provider has over promised and is unable to deliver on that promise (Ackerman 1996, 35). The managers of DB Schenker agree upon this view. Communication is the most effective way to learn more about the customer's expectation. Communication here has also two dimensions: external communication with customer and internal communication between functions.

*External communication* with customer is achieved by proactive, frequent and on-going dialogues. Before dialogues, it is important for the parties from DB Schenker Finland to understand the customer business, its customer service requirements, and its supply chain management before hands. During the interactive dialogue process, it is wise to let customer tell about their strategic objective and expectation, and the present what the company can offer to achieve these goals honestly and realistic

*Internal Communication* between functions inside the company ensures that customer expectations are understood not by those who participate in the external communication but also by the operational personnel. Operation personnel are the one who are participate in service delivery process, therefore should know what customers are expecting.

#### **5.4 Managing customer experience through improving service quality**

DB Schenker Finland has already developed a quality management system to guarantee service quality. To achieve a consistently high level of performance that meets and exceeds customer expectations, the operations excellence program introduced called SAP program with the aim of align processes in the entire network and achieve quality of service.

Furthermore, it is worth noticing that the managing of quality of service is a lot to do with providing customers with exact and in time information. As the manager of the business department and marketing department put it, while ten years ago, supply chain was 19% of physical goods flow and 10% of information flow; today, the percentage is 40 for physical good and 60% information flow. The importance of information flow will be growing still. However, it seems that the employee's view of service quality still remains at the level of physical goods; information flow has not been regarded as important as physical flows. In fact, effective and in time information flows are highly valued by customer and can improve the customer experience greatly.

It is essential for all the employees to understand that service equality is everyone's responsibility. Employees should be given tools and understands to measure service quality. A forum can be setup for employees to share their successes and failure experiences.

## **5.5 Managing customer through external marketing**

Although the general marketing strategy and marketing activities such as advertising, branding and global communication are carried out centrally at the group level, DB Schenker Finland is responsible for contacting customers, creating new relationships and maintains current customer relationships. The value of current customers is strongly emphasizes and has been used the basis for the dividing of sales forces.

The external marketing is mainly carried out by the outdoor sales force in the business development and marketing department. The outdoor sales forces are divided basically by geographical areas around Finland. Branch offices are responsible for contacting and maintaining their customer relationships but should to the manager of this department. The other personnel in this department give supportive activities, such as quoting and secretary service.

The local marketing activities are very much proactive and customer-driven. While knowing that getting new customer is important, the sales force in the DB Schenker Finland understands that taking care of the current customer are equally or even important. As it is seven times less costly to keep an existing customer satisfied than to sell the service to a new

one, the focus of marketing should be proactively on improving customer satisfaction and customer retention. Moreover, selling addition service to current customer is much easier than to finding brand new customers. Thus, the customer loyalty and retention is the focus of external marketing for DB Schenker Finland.

DB Schenker Finland has set up the target for the sale force with regards to the marketing activities: it is measured by the number of visit to the customers. Each sales person are expected to make five sale visit to the customer weekly, among them at least three times are devoted to the current customers. The performance of the sale forces is still measured by the traditional method, which is revenue. A bonus system is also available for the sales forces to encourage more sales. The loss of customer is analysed and reported to the manager. Personal contacts are very important communication channel.

## **5.6 Environment**

The company chooses its customers by strategic development over a long-term and the criteria to choose these customers in the environment are:

- Depending upon customers with locality needs. E.g. preventing Schenker's empty trucks running from Sweden to Germany or Austria, they choose customers that have the need to transport to those geographical areas.
- Depending upon the types of businesses with high growth margin. E.g. Groceries, automotive logistics, etc.

The company takes into account environmental factors before making customer decisions. The company interest in having more customers drives them to acquire customers in industries with higher growth margin.

The company's main competitors in Europe are DHL, DFDS and ITELTA. These three competitors have some kind of network setup just like Schenker. In view of this the steps undertaken to outwit their competitors is a vital issue. Transporting from one point to another point is not an extraordinary business; thus, in the case of the company, it is important to add value to their services. The customer values they create depend on the kind of customers (key or non-key) they are dealing with. Examples of these customers are private person, restaurants,

shops, industrial, etc. In addition, the company provides these customers with continuous delivery information and invests in their own salesman. Investing in the salesman will enable them to have the competence in doing business with their customers. The company has the competence in understanding the needs of their various customers and this put them on the edge of competitive advantage

## **5.7 Training and motivation**

As the logistics service is a people business and people is the most important assets for the logistics providers. Continuous training and motivating employees are therefore very important. DB Schenker Finland seems to understand this fact in theory, but enough in practise. For example there is no formal orientation plan available in DB Schenker Finland for new employees who take new task and responsibilities; information about the company, its customers and partners, its service offering, its operating processes and procedures has to be dig out somewhere by the new employee him/herself: this might take unnecessary long time and affect service quality adversely.

In DB Schenker Finland training and skill development of employees remains unsatisfactory. As employees in the case company mentioned, the customer's demand of service level has been getting tougher and tougher. Skill required for the employees have increased consequently. Especially, when the company is aiming to offer single point contact for customers, customers assume naturally that the person they contact should know everything about the logistics service business. Continuous training and skill develop is absolutely necessary for the employees in order to offer good services to customers. Many employees have expressed their desire to get job related training and education. For example knowledge of import and export practices, customs-related regulations and other jobs related topics.

Motivating employees, there is no specific incentive scheme that encourages employees to pay attentions to keep the good customer relationships and service quality. Fortunately, majority of the employees still understand the importance of keeping customer satisfied. Employees regards positive feedback from customers and managers as one type of motivation, although it does not seem that they received feedback often enough.

## 5.8 Summarizing discussion

The case study reveals that DB Skenker is relatively high relationship and service orientated in the strategic level. Importance of customer relationships and service orientations, and employees' roles in improving customer marketing relationships and service quality has been recognised by the company. The company believe that better customer marketing relationships and service quality create competitive advantages. The company one strategy encompasses two dimensions: one to one customer relationships and one to one employee relationships. Majority of employees in DB Schenker understand the importance of marketing. The case company, adopts a proactive and customer driven marketing strategy. Customer retention is the main marketing objective of DB Schenker. The significance of maintain and managing service quality trough managing service expectation and service experience is recognised, and service quality measuring and monitoring system has been developed enhance service quality.

According to this research on the field of suppliers maintaining and managing their customer portfolio, I think that organizations are obliged to have a strategic planning which entails the way organizations make strategic decisions concerning their customers as a whole. Looking at this, three fundamental questions of planning processes as Anderson and Narus (1999) stated as “what do we know”, “what do we want to accomplish” and “how will we do it” are used by organizations to make decisions and know what course of action to take.

The aspect of planning process is seen in my empirical findings as the DB Schenker conduct surveys to evaluate themselves as a way of checking their performances both internally and externally. I think that the evaluations in terms of organization conducting surveys are helpful. This brings me to the point whereby organizations can identify their strength and weaknesses. Furthermore, Webster (1979) contributed that it serves as an internal and market assessment between the organization and their customers. It is very crucial for organizations to examine their operations regularly to give them information about their customers and also on how they perform. In business-to-business markets, different customers have different needs and to enable a supplier to satisfy their needs, it is essential to examine them. This is to avoid the problem of losing valuable customers as in the case of Schenker, whereby the Sales Manager (personal communication, 06.05.2010) pondered over how they lost their customers due to inappropriate customer service and pricing.



It is rational that every organization wants to attain a goal. I found in the theory as Anderson and Narus (1999) stated that in a planning process, what organizations want to achieve is their objectives. It can be depicted from the empirical findings that Schenker wanted to increase its market share by selling more services. On the other wanted to perform better than its competitors. It can be inferred that every organization have different objectives in a customer relationships.

It could be argued that the expansion of market share is not only the way of accomplishing a goal as compared to performing better than competitors. There can be more other variables set aside for organizations to attain their goal. Schenker's interest is to expand as well as maintain its customers since its main aim is to perform better than its competitors.

“How will we do it” is the case where implementation takes place (Anderson and Narus, 1999). Considering the facts got from the empirical findings, Schenker invested in their salesmen to understand the needs of the customers, have better services and also a better communication or interaction skills with their customers. Likewise, developed an action plan of integrating and coordinating with their customers. With this, it can be said that putting in place an action plan helps organizations to implement what strategies they want to use and this can enhance their ability to achieve their objectives they want to accomplish as mentioned by Anderson and Narus (1999).

When customers are carefully selected from the environment, it is important to have different preferences in order to know those customers who are of different interest to the service provider. This must be done in view of the service competence, resources, customer behavior including their reputation. Using different variables or determinants we think that it is subjective and it depends on the interest of the supplier.

In the first step of Fiocca's (1982) two-step portfolio analysis, difficulty in managing the account and strategic importance of customers were use as variables in analyzing its customers on a general level. I have learnt that DB Schenker's way of selecting their customers strategically depended on the potential and prestige of the customers. This is said to be an important factor for the company. Schenker is interested in customers who have the competence in IT development and resources that will enable them to work appropriately.

However, Schenker did not consider difficulties in managing the account as a factor to consider when choosing their customers. This is because they have the capability to handle all kind of customers buying behavior moreover, wanted to have more customers.

Fiocca (1982) point out customer business attractiveness and relative buyer/seller attractiveness as the two variables of determining the two-step customer based portfolio analysis. It is learnt that BD Schenker's interest in customers who wants to be partners, can be related to customer business attractiveness in the model. This is due to the fact that BD Schenker is more interested in customers who will do business with them in a long-term basis thereby the customer must have a strong position in the market. Since board of directors carefully selects customers by using their own judgmental factors before they can be key customers, Schenker is related to model one in the sense that the length of relationship and social distance is an important factor in the relative buyer/seller relationship of the matrix.

Loyalty as perceived by BD Schenker depends on the kind of transportation service the customer buys. When it comes to domestic transportation the customers are quite loyal. However, when offering international services as well as sea and land freights, customers are not likely to be faithful. This is due to the fact that international transportation and the number of competitors are many as compared to the domestic transportation in Finland and in Scandinavian countries.

The company enhances loyalty by rewarding the customers. However, this depends on the transportation agreements they have with their customers. Besides, the customers receive bonuses when participating in activities with the company. Moreover, the company in its view perceives loyalty as their customers gives them good prices. The company does not see customer satisfaction and trust being the logic behind loyalty, however, they understand that both "trust" and "customer satisfaction" is important for loyalty. Its trustworthiness and being a respected transportation service is what make the customer loyal.

Some of the company's customers are more satisfied than others. This is due to differences in the competences in each branch offices in Finland and the strong network within the Nordic countries. With this, it enables the company to reach and understand their customer more

easily than competitors thus, creating relative satisfaction and making their transportation services very reliable. In Finland, BD Schenker can be found in all major cities.

The company considers gross profit and growth as a major factor to measure customer satisfaction. In addition, satisfaction is seen as something mutual between the company and its customers since cooperation between the actors yield a win-win situation. In this sense, the company is satisfied when their customers want to be partners and accept their prices. On the other hand, customers are also satisfied when the company provides them with good services. Prices are set depending on the different customers and their needs. However, BD Schenker make sure they provide their customers accurate services for them to stay competitive. Customers that help the company to gain profit and also are partners are considered key customers in their portfolio.

## 6 Conclusions and implications

### 6.1 Main findings and implications

Within my research, I aimed at investigating the customer relationship marketing level of DB Schenker business and seeking to find better ways to keep good relationship for the existing clients and winning new potential customer. As a means of retaining existing customers and thus winning new customers.

My conclusion is on the fact that for an organization to manage and maintain their customer relationship, there need to a plan to make good customer decisions. With this plan, organizations must have the capability of performing and assessing operations. This can be perceived as a way of targeting customers in the environment and thereby establishing a good portfolio and a good relationship with them. Organizations have different preferences when it comes to customers. They perceive them as key customers all because of the high interest in them and their competences they acquire. Due to competences and capabilities possessed by their customers, coordination, relationship and communication can be seen to be effective.

I found that loyalty is a concept that is not static but rather dependent on the performance of the company. With this, it is measured by the extent to which the DB Schenker can deliver good services to their customers. However, I could see that DB Schenker believed that loyalty could be enhanced through a better relationship. This is one of the reasons why they developed different types of programs so to increase customer loyalty. Maintaining customers can be done by having constant superior performance and delivering value to customers while at the same time developing personal relationship. Customer satisfaction, which is the other variable of maintaining customers, is an essential aspect and a central focus of an organization. This is reflected through the fact that Schenker use surveys to check customers' interest in the relationship, goods and services, and their salesperson's performances.

From this I propose that:

*"No good performance, no loyalty and satisfaction"*

I would like to deduce that in order to maintain customers, it is vital for organizations to meet their needs. As a result, satisfaction and loyalty is the ultimate goal for organization to maintain their customers. This is the way of avoiding key and non-keys customers from

leaving and also strengthening the relationship. It can be depicted that my proposed goal model has responded to the idea of strategic planning as a way of an organization knowing their objectives, what to do in order to make good customer decision. The customer portfolio in the model put the customers in various preferences. The CRM/KAM is the application used as techniques in managing those customers. Final, Loyalty and customer satisfaction is as way of maintaining the customers.

The research deliberately did not dig out so much about technologically and service offering in details because of lacking of full knowledge in these two areas; but these are two areas that also very important for enhancing customer relationship and service quality management, and how they impact relationship and service quality of logistics services can be another topic for study. Finally, managing other relationships might be useful in the future so that the effectiveness and efficiency of the whole supply chain can be enhanced.

## **6.2 Reliability and validity**

Validity is referred to the consistence of the research method with the intended purpose of the research. It is the degree to which the research method captures what it is supposed to do. (Ghuri & Gronhaug 2005, 80)

This research is consistent with the laid down research process. Careful considerations were taken to ensure that the guidelines and process were followed before preparing the research questions. In this research the time frame for conducting the interviews were considerably enough, initial the interviews with the management of DB Schenker Finland was carried out on time.

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## **Appendices 1 - Questions used in semi-structured interviews**

### **Phase 1 – Customer-related**

1. What are the names of your customers (key and non- key)?
2. What is the relationship between your company and your customers?
3. Who are the important (profitable) customers operating with your company?
4. What are the sources of customer information?
5. Customer database: existing or not? Who's in charge of customer data analysis?  
What types of data are collected?
6. What is company's marketing strategy?
7. Contracts: Formal or informal, open or closed?

### **Phase 2 – Relationship**

1. How well is the relationship between your company and your customers?
2. How do you maintain the customer relationship?
3. Are your customers (key and non-key) loyal to you?
4. How do you enhance (measure) loyalty in your company?
5. How do you manage customer expectations and improve customer experience?

6. Are your customers satisfied? If so, why?
7. How do you explain satisfaction in your relationship with your customers?
8. How does the company set prices for its customers?
9. Are there any investments with your top key customers in terms of resources?

### **Phase 3 – Environment**

1. What are your main competitors?
2. What steps have you taken in avoiding your competitors from taking over your customers?
3. Where are the customers located geographically?
4. What criteria do you choose your customers in the environment (Is it by product, brand or competitiveness)?

### **Phase 4 - Company:**

1. Policies for hiring, training and motivating staff?
  - a) Decentralized
  - b) Centralized
2. What are the competitive pressures?
  - a) Customer demand?
  - b) Costs?
  - c) Service level?

3. What are the competitive advantages of the company? Can customer marketing relationship be the source of competitive advantage?

How company positioning itself in the marketing?

- a) Generalist?
- b) Specialist?

4. Relationship with partners and subcontractors?
5. What are the biggest challenges and opportunities the company faces at present?

#### Phase 5 – Staff

1. Do you think training and motivation offered by the company are enough?
2. Does company have customer relationship- oriented training?
3. Percentage of working time spends communication with customers?
4. Have customer's demands changed over years?
5. Sharing customer information
6. Performance measurement

## Appendices 2 - Framework of relationship development in service

| Author, model and theories   | Conception of development and empirical base   |
|--|--|
| Gummesson 1997<br><b>A multi- stage buyer- seller relationship</b>                     | Consider relationship development as a multi- stage buyer-seller relationship model in the realisation of purchasing and selling processes. Procedural perspective. Longitudinal case study.               |
| Grönroos 1982<br><b>A customer relationship lifecycle model</b>                        | Consider relationship development as a multi- stage buyer-seller relationship model with continuous marketing throughout the process. Procedural perspective. Cross-sectional survey data from executives. |
| Grönroos 2000<br><b>A relationship dialogue model</b>                                  | Interaction, planned communication and value processes.  |
| Zeithaml 1988<br><b>A conceptual model of service quality – The gap analysis model</b> | Consider relationship as expected and perceived service between consumer and producer focusing on gaps and gap related factors. Cross section survey data from consumer and marketer.                      |

Sources: Leminen 1999, 24

### Appendices 3 - Gummesson's 30Rs list

| Classic market relationships                     | Special market relationships                                | Mega relationships  | Nano relationships   |
|--|---|---|--|
| 1. Supplier and customer                         | 4. Full-time marketers and part-time marketers              | 18. Personal and social networks  | 24. Market mechanisms are brought inside the company                             |
| 2. The customer - supplier - competitor triangle | 5. Customer and service provider                            | 19. Mega marketing - the real "customer" is not always found in the marketplace | 25. Internal customer relationships  |
| 3. Network - distribution channels               | 6. Many-headed customer and many-headed supplier            | 20. Alliances change the market mechanism                                       | 26. Quality providing a relationship between operations management and marketing |
|  | 7. Relationship to the customer's customer                  | 21. The knowledge relationship  | 27. Internal marketing - relationships with the employee market                  |
|  | 8. Close versus distant relationship                        | 22. Mega alliances change the basic conditions for marketing                    | 28. Two-dimensional matrix relationship  |
|  | 9. Dissatisfied customer                                    | 23. Mass media relationship   | 29. Relationship to external providers of marketing services                     |
|  | 10. Monopoly relationship: customer or supplier as prisoner |   | 30. Owner and financier relationship   |
|  | 11. Customer as "member"                                    |   |  |
|  | 12. Electronic relationship                                 |   |  |
|  | 13. Parasocial relationships, with symbols and objects      |   |  |
|  | 14. Noncommercial relationship                              |   |  |
|  | 15. The green relationship                                  |   |  |
|  | 16. The law-based relationship                              |   |  |
|  | 17. The criminal network                                    |   |  |

