Abstract

Logistics providers are taking an active part in developing competitive advantage by co-ordination different customers' logistics solutions into an efficient combined configuration. How do the logistics providers effectively cope with the dynamic interaction between the customers? How do they find suitable new customers or get rid of unsuitable ones?

Introduction

In search of new ways to increase effectiveness on mature markets the logistics and supply chain management play a key role. Globalisation, lead-time reductions, customer orientation and outsourcing are some major changes contributing to this interest of logistics. Supply chain integration has become a way not only to cut costs but also to differentiate the customer service. By offering customer differentiation, JIT-transports, express deliveries, after sales services all at competitive prices the large international firms seek to secure future growth.

In spite of its importance for global competitiveness the majority of MNEs outsource the operation of logistics to a transport and logistics provider. These providers are taking over a large variety of services such as transportation, warehousing, warehousing services, pick and pack, packing, statistics and many other value-added services.

Hence the transport and logistics companies and their international networks become important means of meeting international competition of the MNEs. As a result alliances with transport and logistics companies third party logistics providers (TPL) are growing in number and content.

However, in order for the MNEs to outsource the logistics activities, the TPL need to offer certain advantages in quality, speed, flexibility, know-how and price. Thus to create skills, competencies, and gain scale/scope advantages that are superior to customers will be necessary for the survival as a logistics provider. This could be achieved through selection, co-ordination and learning from processes of different customers and customers customer and suppliers.

Research question

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Our interest in this paper is how the logistics providers can combine different customised service solutions in an efficient and effective way. The services offered by the logistics providers are dependent, not only on the type of customers, but also how these customers' activities fit together. Therefore it seems important to know just how the provider go about balancing the co-ordination of the customers and their activities as well as utilise the knowledge generated.

Furthermore, the logistics company will have to handle the complexity of co-ordinating the customers systems as well as those of the customer's customer and the suppliers being part of the same systems.

Another important question is by which criteria do the logistics providers select their customers. How can the logistics company take existing customer's activities and their ongoing changes into consideration when searching for, negotiating with and selling to new customers?

At the same time it is important to know to what extent the potential or existing customers consider the interdependencies between them and other customers when selecting or before outsourcing more activities to a logistics company?

These are some of the main questions that we want to answer in our study. Based on this the purpose of the paper is to study how logistics firms co-ordinate their customers in order to offer competitive services and how it affects their relationships to the customers and customer's customers and /or suppliers.

**The study and expected results**

The theoretical framework is based on network approach, service marketing and supply chain management.

The network approach will basically be used for the understanding of dynamics in relationships and interdependencies between relationships forming networks. Furthermore, the network approach analyses the links, bonds and relationships within and between activities, resources and actors, which is of importance for the logistics provider in order to co-ordinate customers and customer's customers activities (Ford, et al. 1998; Hertz & Mattsson, 1996; Dubois, 1994)

Service marketing will be used to discuss the criteria of customer- selection and customer- mix as well as the possibilities of managing demand and capacity of the service provider. (Zeithaml & Bitner, 1996)

Finally, the supply chain management brings the logistics research and third party logistics services into the picture adding insights about existing research of integration and contents of logistics service and how third party logistics providers operate. (Christopher, 1998; Bagchi & Virum, 1998)

The empirical study is longitudinal with focus on three different types of transport and logistics firms and three of each of their customers. There is a need to study several different levels in each of the companies in order to find out how the co-ordination and
adaptation is taking place. This will be complemented by some interviews with customers and/or suppliers.

Our intention is to study both how the transport and logistics firms market their services as well as how activities and services performed for customers are co-ordinated from the customers as well as the logistics company's perspective. We also want to study how the relationships and activities change over time.

Primary results show that selecting customers for TPL are very different to that of the traditional marketing. Before taking on a new customer a logistics provider must have a very extensive and detailed knowledge not only about the organisation, the physical and communication systems of the customers but also the customer's suppliers and customers. This is necessary for the co-ordination and balance of the flows and services of different customers in an effective way.

Examples of important factors are: do the customers have overlapping transport networks? Do they have the same customers or the same suppliers or partners? How do their demand vary over time (week, month, year)? How quickly do customers grow? Perhaps even more important is what kind of know-how is needed for TPL today and tomorrow? How does the relationship develop with customers over time? The close cooperation and interdependence between TPL and customers also mean changes in the mix of customers might cause a misfit between them. Therefore the question of dissolving relationships to customers is important as well. Finally, the largest advantage of utilising TPL might lie in its knowledge and adaptation to the customers customer system rather than the customers own systems.

Furthermore, since co-ordination between customers is vital for effectiveness it should be of interest to customers to take the existing customers of the TPL into consideration in the selection process.

The way the logistics firms manage to co-ordinate and select their customers is basic not only for their own but often also their customers and sometimes even for their customers' survival.

References


