

The improvement of a logistics concept

Evaluation and development of Schenker's strategic customer relations

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In today's extremely competitive climate on the logistics market, the logistics service providers devise increasingly ingenious methods of gaining advantages and winning the customers. Cutting costs and shortening the lead times may work in many cases, but to create sustainable and rewarding relationships with important customers, exceptional solutions are required. Schenker, one of the world's largest logistics organizations, uses a customer relations development tool called the SCM Concept, in which customers are invited to work in close collaboration with Schenker. The goal of the cooperation is to find better solutions to the customers' supply chain setups, taking into consideration the present and future of logistics, and the customers' visions. This is a summary of a thesis with the purpose of helping Schenker improve the SCM Concept.

Introduction

The logistics market is one of the most competitive and fast expanding markets in the world. Companies from all industry sectors are recognizing the need for a well-functioning supply chain and the savings achieved by managing logistics in an effective way. Transports, and the handling of them, have to be fast, precise, cheap and safe.

Even though the market is expanding quickly, however, the competition is increasing even faster, bringing the margins of the logistics service providers down. In such a business climate, finding ways of improving the company's performance and making it more efficient is essential to stay competitive. With strategic alliances, companies

tighten their collaboration, making their relationship deeper and more cost efficient. For logistics companies, strategic alliances are both a way of getting new customers and keeping the old, and a means of becoming a better logistics service provider by getting to know more about what the customers actually want.

Schenker, one of the world's leading logistics companies, has several ways of tying its customers closer. The most special is *the SCM Concept*, which was created in the late nineties to make existing and potential customers aware of Schenker's broad spectrum of logistics services. The SCM Concept is a way of cooperating with the most important customers to improve both companies and gain mutual advantages. Schenker,

through the SCM Concept, offers its existing and presumptive customers help with modelling and designing their supply chains as well as deciding on their long-term logistics strategies. *The SCM Workshop*, a two-day seminar with the goal of first understanding the customer's present position and wanted future position, and then helping the customer get there, is used to initiate a constructive discussion between the companies.

Problem statement and purpose

The main problem of the thesis was to evaluate the SCM Workshop, its capacity and usefulness, and to improve it where possible. Furthermore, the thesis' aim was to create a standard for the execution of the workshop and to suggest a way to develop the SCM Concept into a sustainable and well-known concept.

The purpose of the thesis was to help improve the SCM Concept and, above all, its workshop. With the help of the results presented in the thesis, the SCM Workshop can, to a greater extent, be able to contribute to the development of Schenker's customers' strategies and, hopefully, help create and sustain new and old customer relations. In addition, the SCM Concept, with its great potential, can become the important part of Schenker's Key Account Management Organization it should be.

Method

Since the nature of the thesis is mainly qualitative, the methodological approach was chosen accordingly. Therefore, the research approach¹ used was

above all the actors approach. The data collection can be divided into theoretical studies and empirical studies. The theory used was primarily found in books and other publications, and treats supply chain management and logistics, as well as different aspects of marketing. The empirical studies include interviews with Schenker's customers, suppliers and employees, one workshop observation and some studies of company-based publications and other texts.

Supply Chain Management

*"A supply chain is a sequence of processes and flows that take place within and between different stages and is combined to fulfill a customer need for a product. The chain consists of all parties involved in fulfilling the customer's request."*²

Supply chain management, abbreviated SCM, is a term widely used. The supply chain intended is, in accordance with the quote above, the complete flow of information, currency and goods supporting the making, selling and buying of products by any company.

The logistics market

The logistics market is highly competitive, with high demands and low margins. Increasing demands on environmental issues from authorities and customers, as well as demands for quality, precision and speed, keep the logisticians on their toes. In addition, the severe competition keeps the logistics service providers from passing the cost raises onto their customers. Another aspect to consider is the globalization,

¹ Arbnor & Bjerke, 1994.

² Chopra & Meindl, 2004.

which makes the possible markets increase, but also the competition. Instead of only competing against logistics service providers from the same country or the same continent, there are an additional number of competitors from all around the world. The solution is to be resource efficient and find ways to lower costs with preserved quality performance. Focusing on the total supply chain, merging warehouses and transports, and entering strategic alliances with customers and suppliers are some of the ways of keeping up with the competitors and not fall out.

Aspects of marketing

Key Account Management

In industrial marketing, trying hard to keep the biggest and most valuable customers is an important issue. To succeed in this, companies treat their customers differently depending on their value for the company. One way of caring about the most important customers is the key account management (KAM) system, where one individual or group has the main responsibility for one specific customer. According to Edman and Laurelli³, KAM is a good method of getting, keeping and developing key customers. To do this it is important to act from the customers' purchase reality, not from one's own desire to sell.

Relationship marketing

According to Evert Gummesson⁴, relationship marketing, or RM, can be described as marketing focusing on relationships, networks and interaction. RM

can further be regarded as the opposite of the traditional transaction marketing. Transaction marketing refers to a single buy, one distinct, isolated transaction, while relationship marketing concerns multiple transactions and repeated contacts between the buyer and seller.

Gummesson has identified what he calls the 30 market relationships, and has divided them into four groups. They treat many different kinds of relationships between customers and suppliers. The first group contains the *classical market relationships*. The *special market relationships* make up the second group while the third group consists of the six *mega relationships* (relationships outside the company). Finally, the last relationships are the *nano relationships* (relationships within the company).

One-to-one marketing

One-to-one marketing has a lot in common with both key account management and relationship marketing. This depends on the fact that they are inspired by each other and have been inspired by the same marketing ideas. In the book *One-to-One Marketing*, Ola Feurst⁵ presents his version of the four steps of one-to-one marketing originally presented by Peppers and Rogers⁶. These are *identification* (recognizing the different customers and treating them individually), *communication/discussion* (asking the customers what they want), *memory* (collecting and using transaction and dialogue data), and finally *adaptation* (adjusting each service offered to the individual customer).

³ Edman & Laurelli, 1999.

⁴ Gummesson, 2002.

⁵ Feurst, 1999.

⁶ Peppers & Rogers, 1997.

Analysis and recommendations

Taking into account the interviews and observations made, the outcome of the report essentially consists of suggestions for how to standardize and thereby facilitate the improvement and implementation of the SCM Concept and the SCM Workshop.

The SCM Concept

As an attempt at modelling the process of the SCM Concept, the researcher has developed *the ICARUS model*, inspired by the four steps of one-to-one marketing. It is a six-step method covering all of SCM's external work, from the preparations, when the customers are identified and selected, to the completion of the deal and the start of the strategic relationship. The six steps are as follows:

1. *Identifying and selecting customers.* Selection of a customer suitable for collaboration with SCM.
2. *Communicating with the customer.* A number of meetings, of which one is the SCM Workshop, are set up with the selected customer. The Schenker representatives' primary goal is to collect as much information about the customer as possible – needs, wishes, desires, ideas and so on.
3. *Analyzing the information.* The customer information is carefully analyzed.
4. *Revising and evaluating.* The results of the analysis are reviewed and assessed in order to learn as much as possible about the customer.

5. *Using the knowledge.* The analyzed and revised customer information is used to generate a customer-specific service, tailor-made to suit the customer.
6. *Structuring the relationship.* The customer is contacted again, and the constructed service proposal is presented.

The SCM Workshop

As seen in the ICARUS model, the second stage involves most of the customer contacts, including the SCM Workshop. To make the workshop successful and valuable, the right people have to participate, and the right activities must be included. Starting with the representatives, both customer and Schenker must have one decision maker, one logistics expert and one handler of the mutual contact. Apart from this, someone who directs the meeting is needed, and Schenker has to have a person who can perform the modelling and simulation. Of course, some of these tasks can be handled by one person. When it comes to what activities to include, what needs to be remembered is that the goals of the workshop should be to make the customer trust Schenker and to come up with suggestions for improvement of the customer's supply chain set-up. To do this, the customer must present his company's structure and visions, the future aspects of logistics must be discussed, and different scenarios must be simulated and examined. To gain the customers' trust, Schenker must be able to prove its experience, for example by presenting successful customer cases.

Conclusions

To sum up, the researcher proposes that Schenker uses the ICARUS model, either as it is presented here or as a source of inspiration, for the creation of a standard and for the SCM Concept. Furthermore, Schenker should continue the standardization process initiated in the thesis, covering both the concept and the SCM Workshop. All in all, strategies and visions that concern the SCM Concept should be developed and more clearly laid out. The roles of SCM's staff must be straightened out and the purpose of the SCM Concept decided upon.

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