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PARTNERSHIPS TO IMPROVE CUSTOMER SERVICE OF LOGISTICS SERVICE PROVIDERS IN BULGARIA¹⁹

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ABSTRACT

This paper represent the results analyses of a survey questionnaire which is made for the logistics service providers (LSPs) in Bulgaria in the 2015 regarding the ability to build and maintain relationship, that exceeds traditional sales partnerships with other LSP, representing their suppliers, and customer. Based on 135 valid providers' responses, the study results show that LSPs in Bulgaria build and maintain such relationships mostly with their customers, than with other logistics services providers. The results identify that bigger companies realize to a greater extend the advantages of building and maintaining strategic relationships with their customers, than smaller LSP. The paper also presents several coordination mechanisms within LSP can decide to use for developing collaborative relationships with other LSP or customer.

Keywords: logistics service providers, customers, relationships, customer service

INTRODUCTION

Relationships play an important role in the logistics sector. Successful partnership in such a competitive area can be crucial. Considered as a critical resource of the logistics service providers (LSPs), the capability of building and maintaining relationships with both their customers and other LSPs improve customer service. This paper examines the relationship characteristics of the Bulgarian LSPs in the context of the customer service LSPs provide. The aim of the research is to find the current state in the

¹⁹ Short preliminary communication

relationships between the Bulgarian providers themselves and between providers and customers, and summarize coordination mechanisms for LSPs to develop collaborative relationships.

LITERATURE REVIEW

Customer service in the logistics sector is the output of services that LSPs provide. To be able to provide these services, LSPs perform activities that require the usage of certain resources – tangible or intangible. Wernerfelt (1984) identify five resources that contribute to a firm's competitive position – physical resources, IT – related resources, human resources, knowledge, capabilities of building and maintaining relationships. The so called Resource-based view is widely recognized as a method in the logistics researches (Yew Wong & Karia, 2010).

The possession of different resources enables the LSPs to provide wide range of logistics services (Olavarrieta & Ellinger, 1997). A recent study shows resources possession is positively related to customer service level (Fileva, 2016). Moreover, some researches found that LSPs with higher customer service levels build long-term relationships with their customers resulting a positive impact on their financial results (Huo, Selen, Yeung, & Zhao, 2008).

Customer requirements are constantly growing. To meet these requirements, LSPs need capital to acquire the physical resources to satisfy their customers. But not every company has access to such capital. On the other hand, LSPs may not want to perform a specific activities for their customers (due to the low volume of such activities and the inability to return the investment for the resources, for example). Thus, an option to provide these activities as a service to the customers is to choose another LSP with available resources. However, this should not be considered as a weakness. In contrast, it helps LSPs to focus on their core competence but still manages to provide a wide package of logistics services enhancing customer satisfaction.

Another crucial prerequisite related to the customer service is the ability to build and maintain relationships. Such ability that ensures access to the core competence of other LSPs is considered as an important business resource, because it is difficult to imitate and contribute to firm's development.

Relationships in the logistics sector can be divided into two main types. First, there is the relationship between provider and customer that is typical for any business environment. And it's important not only to build the relationship but maintain it too. Several researches that have been conducted

in different sectors support this thesis - costs to acquire new customer is 5 times more than the costs to retain a customer (Donchev, 2014). Thus, customer relationship management is considered as an important subject in today's business.

Second type of relationships in the logistics sector can be found between the organizations of the sector, e.g. between the LSPs. Freight forwarders, for example, may depend entirely on partners to operate. Such partnership requires share of information and coordination in order to lower costs and enhance the quality of services provided. Therefore, the ability to build and maintain partnerships is related to the customer service level.

METHODOLOGY

A survey questionnaire was developed to collect information from the LSP in Bulgaria. This method is widely used in the researches of the logistics sector (Selviaridis & Spring, 2007). The use of survey questionnaire requires reliability and validity assessment, that will assure that instrument measures what is supposed to measure and it will produce the best results (Dunn, Seaker, & Waller, 1994). A content validity test of the questionnaire was conducted through a theoretical review and a pilot test. Data collection has been arranged by conducting a personal review or sent the questionnaire by e-mail. Data was collected from February 2015 to July 2015. Contacted companies were 200, a total of 136 responses were received. was used to compare differences between the group of "Small" companies (with less than 50 employees) and "Big" companies (with more than 51 employees).

EMPIRICAL RESULTS AND DISCUSSION

In order to investigate the partnership within the logistics sector in Bulgaria, respondents are asked about the length, type and several other characteristics of the relationship with their customers/similar companies.

The results for the length of the relationships in the logistics sector in Bulgaria show that almost 1/5 of all LSPs relations with customers/similar companies are short-term (one time customers or with a relationship for less than a year). In the same time, half of the customers/similar companies of the LSPs are long-term, with a relationship of more than 3 years. Thus, Bulgarian LSPs know how to build and maintain relationship successfully. Moreover, the small part of short-term customers shows that LSPs are actively searching for new partners.

Type of the relationships that LSPs have with their customer/similar companies, however, differs between the groups. For example, relations that

go beyond the traditional sales relationships with customers are more likely than with similar companies – 49% partner with customers and 42% with similar companies. One of every three LSPs have relations that go beyond the traditional sales relationships both with its customer and other LSPs. However, overall results indicate that LSPs in Bulgaria underestimate the important role of partnerships. In the case of LSP/LSP partnership, providers may limit their access to useful partners' resources also limiting the room for customer service improvements.

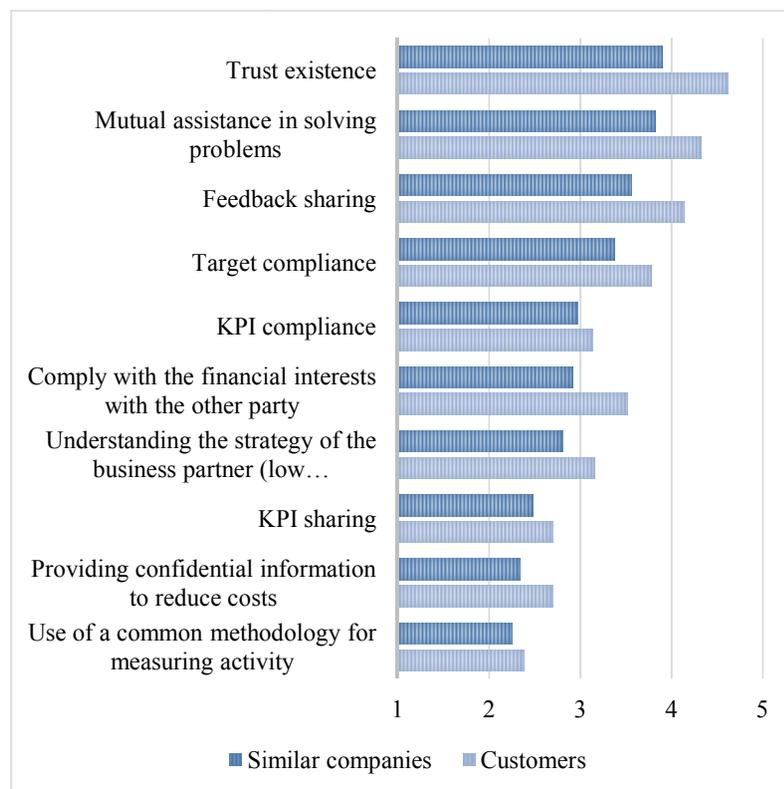


Figure 1 Mean value of some indicators that characterize the relationships of LSPs with their partners (customers/similar companies) (5 – To a great extent; 1- Not at all)

Figure 1 shows the mean value of some indicators that are related to the characteristics of the LSPs relationships with their customer/similar companies. As we can see, the highest score is for the trust that exists between LSPs and their partners, followed by mutual assistance in solving

problems and feedback sharing. Comparing the two groups, we can notice that the scores of the customers are higher than the similar companies' scores. This result confirms the conclusion we have made earlier, i.e. that LSPs invest more efforts into building relationships with their customers, than with other LSPs. Neglecting the importance of the relationships with other LSPs, from the other side, can result a negative impact on the potential of customer service enhancement.

Previously, we have stated that half of the LSPs haven't built relations that go beyond the traditional sales relationship. That explains the relatively low mean scores for indicators like: "Use of a common methodology for measuring activity", "KPI compliance and sharing" and "Understanding the strategy of the business partner". However, these practices are essential for the LSPs competitiveness and customer service improvements.

The results from the Mann-Whitney U test are shown in *Table 1*. The group of the "Big" LSPs relationships, related to the group of "Small" LSPs, are characterized by a higher extent of the following indicators: Target compliance, KPI sharing and compliance, and Usage of common methodology for measuring activities. That leads us to the conclusion that bigger LSPs recognize the importance and the advantages of building strategic relationships with their partners.

Table 1 Mean value and level of significance of relationship characteristics with customers and similar companies:

(5- To a great extent; 1- Not at all)

	Indicator	Small	Big	Level of significance
		Mean value		
Customers	Trust existence	4.59	4.70	0.560
	Mutual assistance in solving problems	4.23	4.49	0.163
	Providing confidential information to reduce costs	2.68	2.76	0.753
	Understanding the strategy of the business partner (low cost/differentiation)	2.96	3.45	0.068
	Target compliance	3.65	4.14	0.010
	KPI compliance	2.83	3.64	0.002
	KPI sharing	2.45	3.05	0.028
	Use of a common methodology for measuring activity	2.07	2.81	0.005
	Feedback sharing	4.04	4.31	0.226
	Comply with the financial interests with the other party	3.45	3.54	0.939

Similar Companies	Trust existence	3.81	4.14	0.297
	Mutual assistance in solving problems	3.76	4.00	0.251
	Providing confidential information to reduce costs	2.33	2.34	0.936
	Understanding the strategy of the business partner (low cost/differentiation)	2.64	3.11	0.116
	Target compliance	3.31	3.54	0.327
	KPI compliance	2.80	3.37	0.057
	KPI sharing	2.38	2.66	0.354
	Use of a common methodology for measuring activity	2.09	2.54	0.099
	Feedback sharing	3.42	3.89	0.146
	Comply with the financial interests with the other party	2.87	3.00	0.667

LSPs coordination mechanisms

Many alternatives of relationships exist in the logistics sector. For those LSPs that want to take steps to develop further partnership either with their customers or other LSPs, the choice between the alternatives depends on the firm's objectives, opportunities for development, time period and so on. *Table 2* presents some business coordination mechanisms. Based on these mechanisms, providers can define the current type of relationship and the opportunities for future development.

Table 2 Coordination mechanisms of logistics service providers

Transactional relationships	Alliances			Strategic relationships	
	Information sharing alliances	Collaborative operations alliances	Collaborative network alliances	Partnerships	Vertical integration

Source: Adapted from Rice, J.B. and Ronchi, S., (2002). Collaboration, alliances and the coordination spectrum. *Logistics Solutions*, 22(1), pp.22-26.

Transactional relationships can be considered as the most loosely type of relationship. Every party is acting in its self-interest and it is not subject to any pressure from the other party. It is not an exclusive relationship, e.g. the seller can easily find other customer and vice versa.

In contrast to the transactional relationships which are simply buy-and-sell activities, alliances entail a more intensive relationship between the parties. Usually, they coordinate common activities and share common interest, risk and profit, too. Main differences between the three types of alliances, shown in *Table 2* can be identified with the degree of sharing goals, time horizon and level of commitment.

Information sharing alliances usually represent short-term commitment, based on sharing passive information on inventory (available fleet, warehouse space, etc.). Such alliances are considered as a starting point for the companies to develop more meaningful relationships.

Collaborative operations alliances entail active information sharing. Since companies sharing information and common goals with each other it's more medium-to-long term commitment.

Collaborative network alliances entail information sharing, active common process coordination and making network-level decisions, including financial decisions. The collaborative network alliances are typically long term commitments. Decisions are made in order to improve the supply network rather than improving the process coordination of their own activities (Rice and Ronchi, 2002).

Strategic partnerships are long-term relationships between companies who share same goals and want to achieve mutual benefits. The idea behind these type of partnerships is achieving goals that companies would not achieve without it. Although strategic partnership leads to better accessibility to new technologies or markets, economies of scale in production, sharing risks and improving complementary skills, companies may lose autonomy.

Vertical integration is the most complex form of relationship, which aims full control of the supply chain for the company. It costs a great effort, but brings significant benefits, too.

CONCLUSION

This paper examines the relationships' characteristics of the Bulgarian LSPs in the context of the customer service LSPs provide. Considering that the ability to build and maintain partnerships is positively related to the customer service LSPs is providing, and the results of the current research, we can conclude that LSPs in Bulgaria underestimate the important role of partnerships which limits the process of customer service improvement. Still Bulgarian LSPs know how to build and maintain relationships successfully. Research results also suggests that bigger companies recognize the importance and the advantages of building strategic relationships with their partners. Several mechanisms are presented to help LSPs determine the

existing state and develop more collaborative relationships in order to improve the customer service they provide.

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