How Third Party Logistics providers manage relationship with customers — A multiple case study

Peijia Wang & Mingfei Gong

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Supervisor: Lars Löfqvist
Examiner: Lars Bengtsson
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Peijia Wang & Mingfei Gong
University of Gävle
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Abstract

More and more third party logistics (TPL) business appeared because that traditional logistics service is quite simple and not customized. The growth of advanced logistics services from customers has caused growing competition pressure for third party logistics providers. More and more TPL providers try to have strategic development by developing and improving the relationship with customer. In order to explore the customer relationship management (CRM) of TPL provider, this thesis aims to find out why third party logistics providers should pay attention to CRM and try to figure out how they manage the relationship with customers. Through a multiple case study, some main drivers for TPL provider to pay attention to CRM include industry characteristics and business environment, profits improvement and trust enhancing. Paying more attention, improving communication, allocating resources more reasonably and satisfying more customer requirement can be regard as the tools for TPL providers to manage the relationship with customers.

Key words: Third party logistics, Third party logistics provider, Outsourcing logistics, Customer relationship management, Relationship marketing
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1. Introduction

1.1 Background

Traditional logistics service provider has faced increased replaceability because of relatively simple service and not customized offers. Logistics service provider should consider paying more attention to customer orientation and providing innovation service in order to achieve differentiation (Large et al., 2011). With the demand of advanced logistics services, third party logistics (TPL) business appeared. More and more companies choose other organizations to take responsibility for their whole or part of logistics activities. Accordingly, the requirement and competition is increasingly high. How to survive in such challenging environment is worth thinking for third party logistics provider (Hertz and Alfredsson, 2003).

Hertz and Alfredsson (2003) come up with that the management of customer relationship and the whole network of relationship are the two critical issues for the strategic development of TPL provider. In order to increase customer value, improvement of competency and expansion of scale or scope are necessary which can be achieve by sharing information and resources, creating specific knowledge and service and coordinating activities among customers. Hence, developing and improving the relationship with customer is significant for TPL provider. Nonetheless, how to manage the relationship and how to utilize the relationship to create more profits is a difficult problem for TPL provider.

Most academic research about third party logistics focuses on what is third party logistics, why it appears and what the difference with traditional logistics is. Major of them from customer perspective like how to select TPL provider or from supply chain perspective to explore what role TPL plays. Little of the existing studies are about TPL providers and the relationship with their customers. However, the importance of
customer relationship management can be seen in many literatures especially in the logistics industry. Therefore, this thesis will research the management of customer relationship from TPL provider perspective.

1.2 Purpose

This thesis aims at explore the customer relationship management from the perspective of third party logistics provider based on multiple-case study of HUIXIANG Company and FLB. Here are two research questions to help reach the purpose:
1) Why should third party logistics provider pay attention to customer relationship management?
2) How do third party logistics providers manage the relationship with customers?

1.3 Outline

There are seven sections in this thesis. The first section introduces the background and purpose of this thesis. The second section shows how to complete this thesis and if it is valid and reliable. Section three is a literature review of related theory about third party logistics and customer relationship. Section four contains empirical findings of case company HUIXIANG and FLB. The fifth section combines and compares section three and section four in order to fulfill the purpose. In section six, it concludes all above works and gives the final results. The last section is reference list which shows the comprehensive information for all involved books, scientific articles, internets and interviewees.
2. Methodology

As the background which is mentioned before, the number of recent studies which are related to the relationship between the third party logistic providers and the customers is quite limited. Therefore, the authors decide to start a research to find out the key points for a win-win relationship between the TPL provider and the customers.

According to the concepts in the literatures from Yin (2009) and Crowe et al. (2011), the research method of this thesis is confirmed as multiple-case study by the authors. Furthermore, all the related data which will be used in this thesis will be collected, gathered, analyzed and concluded by using the qualitative approach (Yin, 2011). The two TPL companies from China and Sweden were chosen as the case companies to provide the information. The two case companies are the FLB from Sweden and the HUIXIONG Company from China. Through an earlier study at these companies, the authors did know that the managers of two companies both put a high value on the relationship with customers. After doing the selection, the FLB and HUIXIONG Company are chosen to be the case companies because of very good treatment for the relationship with customers.

A lot of scientific articles, books and information will be used as secondary data to finish this thesis. Most of the information will be searched on the internet with the key words as “TPL”, “customer relationships” and “TPL relationships”. In addition to the literatures, the authors summed up interview questions based on the purpose of this thesis and the primary data (Appendix I). The answers of the interview questions from the managers in the two case companies will be gathered and analyzed in the thesis to help to make the conclusion. The result could make some guidance and suggestions to help the TPL companies build a better relationship with their customers. Certainly, some limitations are contained in this thesis unavoidably.
2.1 Quantitative and Qualitative methods

Quantitative approach and qualitative approach are two opposing research method in social science, both the two research methods have their own research modes (Neuman, 2005). The differences between quantitative approach and qualitative approach mainly consist in their research target, research aim and research technique. Quantitatively, this means to measure the target on the basic of digital symbol. The results of the quantitative research are often represented by a large amount of data. In general, the quantitative approach is the research method and process that express the question or phenomenon by number, and then analyze, test, interpret it to come to a conclusion (Walliman, 2005). In a general way, tables, diagrams, figures, numbers and statistics are very common in a quantitative approach, and usually used to solve the questions about “how much” (Biggam, 2008).

To compare with quantitative approach, qualitative approach focuses on solving the question about “why”. Qualitative approach does not only depend on the numerical data but pays more attention on the reason why the characteristic or behavior exists. In other word, qualitative approach is more like an in-depth investigation on the target’s characteristic and property by drawing the conclusion after doing observation, experiment and analysis (Biggam, 2008).

In this thesis, a qualitative approach is used to discuss the relationship between the third party logistic providers and their customers. The authors used this research method to explain why it is necessary to pay more attention on the relationship between the TPL provider and its customer and how to manage the relationship with customers. Both discussing and analyzing are based on the interview from the two case companies.
2.2 Inductive and Deductive approach

Inductive approach and deductive approach are two most common methods to analyze the information and draw the conclusion in the scientific studies. According to Thomas (2006), inductive approach is mainly to induce and summarize the representative parts and the connection between the properties of the same kind of things, and then conclude that most of these kinds of things have the same property. In other words, induction is the process from the specialness to the common. The disadvantage of inductive reasoning is the incompleteness, and more and stronger data support during the induction will increase the correctness of the conclusion (Elo and Kyngäs, 2008).

In contrast, deductive approach is the reasoning process start opposite to the induction, from the common to the specialness, from the wide range to the particular range. Hyde (2000) expressed that when people using deductive reasoning, a truly theory will be built first as the basis for the proving, and then speculate unknown things according to the current things. Inductive and deductive approach is not a contradiction in application, some case will use one of them but sometimes combine both of the two methods will get better result in more cases. According to the purpose of this thesis, a series of theory on the management of customer relationship was induced from the concrete examples by the authors. Hence, inductive approach is mainly applied in this research.

2.3 Literature review

Literature review is a necessary and conventional way to help authors finish the topic research. At first, literature review helps to expand the perspective and find a new direction, and then people could have an initial idea for the paper. After determining the topic, literature review helps to build the basic structure of the thesis and proves the guidance for the work later (Biggam, 2011). In the whole process of the
researching, literature review provides the theoretical support relates to the final conclusion (Yin, 2011). The lack of literatures about the relationship between the TPL providers and their customers has become the main reason that the authors choose the relationship as the main topic of this thesis after the literature review on the early stage of the writing. After determining the main topic and purpose, a lot of useful scientific articles and books were searched on the internet or found in library. The literature review also helps to modify and improve the interview questions as the theoretical basis and support.

2.4 Multiple-case study

In order to obtain more comprehensive information, avoid concluding one-sided result, the authors chose two companies as the case companies. Because of the two targets, multiple-case study had been the main study to research the target object. According to Biggam (2011), case study can usually be based on a single case or a multiple case. Case study can be summarized as a process that explains why and how a decision will be adopted and executed, and what result will be resulted in (Schramm, 1971). Platt (1992) also thinks that case study is not only a practice of one kind of data collection or a design feature. It is a comprehensive and complete research strategy. In a multiple-case study, researchers should deeply analyze every single case as an entirety. It is also called within-case analysis. On the basis of the analysis of each within-case, researchers should induct and summarize each case and work out a quite accurate conclusion. This process is also called the cross-case analysis (Yin, 2009). In generous ways, the evidences from a multiple-case study are usually considered to be more convincing.

Yin (2012) expressed that exploratory, descriptive and explanatory are the three main types of case studies. Exploratory research is usually used to help the researchers know and understand the facing problems, clear the direction of research and continue
the further research. Descriptive study is mainly to describe one object detailed. The questions about “why” can be answered by explanatory study. This study can explain the reason of the social phenomenon, predict the development of things and explore the causal relationship between the phenomenons (Yin, 1984). According to the characteristic of this thesis, exploratory, descriptive and explanatory are used in this thesis. The interview for the two case companies can be seen as descriptive method, explaining why a good relationship is important for TPL provider is the explanatory. The management of relationship with customers from the perspective of TPL providers is an under-researched topic in the previous studies, so that it is the exploratory view in this thesis. On the other hand, the suggestions on how to manage the relationship may also be able to be reduced to exploratory.

According to Yin (2009), the case studies can be divided into five steps. The first step is to determine the research question and develop the framework. Next is to collect the data by the suitable methods, then analyze and evaluate the data and draw the conclusion at last.

2.5 Data collection and analysis

In the most research studies, the common data collection methods can be divided in several ways. For example, there will be interview, survey, questionnaire, observation and other different ways (Biggam, 2011). The primary data for this thesis are mainly from the information which is gathered by the interviews. In this thesis, the authors chose two persons who are the top managers and in charge of the customers’ relationship in each case company. The first interviewee is the vice president of HUIXIANG logistic company and also the manager of the customer extension department of HUIXIAN. The other interviewee is the managing director of FLB logistic AB. After reading the sufficient literature review and combining with the purpose of this thesis, the authors formulated and organized a series of questions for
the interviewees. According to Williman (2005), the authors chose two ways to conduct the interviews for this research. For the FLB logistic AB, the authors did know that it attaches great importance to manage the relationship with customers, and had a study visit to the FLB Company and also did a face-to-face interview to the managing director personally. In addition, one of the customers of FLB company-Gevalia also was the visit target of the authors and some cooperation information with FLB were provided by the employees of Gevalia. On the other hand, because of the geographical reason, the authors could not interview the interviewee in HUIXIAN in China, so that the information from Yang Ping is collected by the e-mails. In order to remedy the limitation which the inflexibility caused by the e-mail interview, the authors communicated with the interviewee for three times to complete the information.

The interview questions are raised on the basis of the purpose of this thesis and the theoretical framework. During the analysis for the interview questions, the authors summarized the answers from different perspective for the same question. For example, the manager of FLB said that they delegated an employee of FLB to work in Gevalia in order to take charge of the logistic activities in Gevalia. During the interview for Gevalia, the interviewee also pointed out and commended this behavior of FLB. The dialogues and e-mail exchanges among the interviews are both based on sincerity, trust, equality and respect, and the interview questions do not involve any invasion of privacy.

About the secondary data which is used in this thesis, the authors chose several kinds of sources for example the reports, scientific articles, and academic books from the internet and the library. Because that secondary data is the secondhand information through the collection and publication of others, so the data sources are both selected carefully by the authors and supplement and update at any time while preparing the thesis. All the information about the company profile is both got from the official website.
With regard to the potential societal impact of this research, the authors hope that the result can be a reference for the management of customer relationship for some of the TPL providers and help TPL provider companies know the importance for operating a good relationship with their customers.

2.6 Validity and Reliability

In general, validity and reliability are the two main indexes that evaluate the quality the data and the information of a research. According to Yin (2009), the validity test can be divided into three parts: construct validity, internal validity and external validity. Construct validity, which means the appropriateness, usage and value of the deduction based on the collected data and information. Internal validity focus on inference and explanation of the research, and external validity puts emphasis on the degree where the research results can be applied to. In this thesis, at first, the company profiles are from companies’ official websites and interviews. Next, the two interviewees are the top manager in their companies who has more comprehensive and accurate understanding of the cooperation with customers. In addition, after having many literature reviews, according to the purpose and research questions, authors draw up interview questions under the guide of supervisor. The interview questions are sent in advance to ensure the interviewees have enough to think about it and give the most precise answers. Furthermore, in order to avoid the differences and one-sidedness because of the national conditions and the geographical gap, authors chose two typical companies have a substantial scale and positive market image from two countries, China and Sweden. Both of them are good at customer relationship management. Hence, this thesis is possible to inspire some companies which have the similar background to pay attention to customer relationship management and also provide some methods and tips for them to manage the relationship with customers.
Reliability of the research can reflect the quality and credibility of the evidence for the resource of the research information. According to Yin (2009), reliability refers to the numerous investigations on the same case study in order to reduce the mistakes and bias. In order to prove the reliability of this thesis, the authors have kept the interview e-mails, records and the files, and checked the data and information repeatedly. In addition, most related literatures which have used in the thesis are scientific and all the statement above can increase the reliability of this thesis.

2.7 Limitations

Due to the geographical factors, the authors could not do the face-to-face interview to both case companies. There could be some lack or deviation on the information. For HUIXIANG Company, authors cannot have interviews with its customers. All information about customer relationship of HUIXIANG is according to the interview of HUIXIANG. In addition, because one of the case companies is a Chinese company, some data like the information from the official website might be bias caused by translations.
3. Theoretical framework

3.1 Definition of third party logistics

With the growing and developing of the outsourcing, third party logistics (TPL) companies are gradually on the rise and prosper. More and more logistics companies choose to enter the third party logistics business to become TPL providers (Hertz and Alfredsson, 2003). According to Lieb (1992), third party logistics means that the companies use other organizations to finish the logistics activities which originally should be responsible for itself. Lieb also expressed that the third party logistics can hold the whole logistics process or select some parts of activities. The third party logistics service companies have neither ownership of goods nor the duty for selling and buying for the goods (Vasiliauskas and Jakubauskas, 2007).

For the services that provided by the third party logistics companies, Berglund et al. (1999) defined that on the behalf of a shipper, the logistics service providers finish a series of logistics activities “at least management and execution of transportation and warehousing” called third party logistics. In addition, the other services could be included like warehousing and inventory management, information tracking and tracing, installation and packaging of products, even supply chain management (Marasco, 2008).

Compared with basic logistics activities, third party logistics activities encompass more service functions which can meet more customized products. From a long-term perspective, third party logistics can bring a win-win relationship between the third party providers and customers (Murphy and Poist, 1998).

3.2 Third party logistics provider
Hertz and Alfredsson (2003) put forward that the developments of service from TPL providers and the benefits to customers are depend on two dimensions. One is how to balance the resources among several customers which can be seen as the problem solving general ability. Another is customer adaptation which means how to adapt individual customer.

According to these two dimensions, third party logistics providers could be summarized as four types: standard third party logistics provider, service developer, the customer adapter and the customer developer, see Figure 1 below. Standard third party logistics provider is the most basic provider form. These companies provide the most basic functions of logistic activities like picking, packing, distribution and warehousing. The service developer provides the customers value-added services like specific packaging and tracking and tracing. The customer adapter, as the name implies, the companies will emphasize the request from the customers, almost totally take the control of all the logistics activities for the customers. The customer developer is the third party logistics provider which reaches the highest level in process and activities. It is often responsible for the whole logistics activities of customer. Hence, the integration with customer is very high (Hertz and Alfredsson, 2003).
3.3 Key factors of relationship marketing

Grönroos (1994) suggests a definition of relationship marketing:

“Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises.”

More and more companies prefer to take care of their customers than attract new customer. Companies gain higher customer loyalty by improving customer satisfaction (Ravald and Grönroos, 1996). Customer satisfaction is the comparison between customer expected effect and perceivable effect for the products or services provided by company. The actual feeling is closer to expectation and even more than expectation, the customer satisfaction is better. A great customer satisfaction is not only let customer keep buying and make additional purchases but also let customers
voluntarily make positive publicity for company (Sharma et al., 1995). Although there are many differences among different customers, if the companies want to build, maintain and improve positive relationships with their partners, some generally factors should be considered like trust, commitment, investment, dependence, communication, attachment, reciprocity, and shared benefits. What is more, there are several logistics outsourcing relationships studies of practitioner also provides support and evidence of those factors (Knemeyer et al., 2003).

**Trust**

Wilson (1995) presents that trust is the foundation of relationship building that contains reliance and confidence. Especially in logistics outsourcing, trust is an important variable which can promote simple transportation management outsourcing to more complex logistics activities between customer and third party logistics provider (Minihan, 1996).

**Commitment**

The commitment of all parties is seen as a key factor for a success relation. Morgan and Hunt (1994) suggest that company should always focus on relationship investment; pay attention to potential long-term cooperation rather than temporarily attractive short-term with existing partner; and prevent that partner has possibility of opportunism in some potential high risk activities. Commitment is also considered as a key in order to create a stable third party relationship in logistics outsourcing (Rutner and Gibson, 1998).

**Investment**

The relationship specific investment may cannot be recovered when the relationship end. In logistics outsourcing relationship, these investments include training for logistics personnel, capital for new warehouse and transportation capacity or technology for some particular requirements (Wilson, 1995).
Dependence

Knemeyer et al. (2003) summarize that dependence is the key to improve adaptation and collaboration and promote partner commitment in a relationship. They also think that “the distances involved and the specialized nature of global logistics requirements have created dependence by shippers on third-party providers capable of providing a broad range of value-added services to assure logistical continuity”.

Communication

Moorman et al. (1993) come up with that communication means sharing meaningful and timely information between partners by formal or informal way. It is the precursor for trust. Timely communication will help solve disputes and coordinate expectations.

Attachment

Attachment is more emotive than communications and it is also important for closeness promotion in a relationship. People generate attachment for a particular partner usually by having true feeling to other companies or related personnel (Wilson, 1995).

Reciprocity

Reciprocity is common in solid relationships and has critical function. In third party logistics relationship, reciprocity is more and more popular when companies use cost-sharing as one of the preferred way to build trade (Langley et al., 2001).

Shared benefits

In logistics outsourcing relationship, shared benefits are generally reflected in performance improvements. Such as, reduce logistics cost, shorten the cycle time, increase customer support and customer satisfaction and improve logistic information system and service level (Newton et al., 1997).
3.4 Customer relationship management

As emphasized in relationship marketing, company profitability is positively related to customer loyalty. Compared with the development of new customers, maintaining and improving the existing relationship is more efficient (Payne et al., 1999). Therefore, the management of customer relationship is more and more important.

Here is a chart can show the evolution of the CSM definition, see Figure 2 below. The term “customer relationship management” first appeared in some specific fields like practitioner community and information technology community (Payne and Frow, 2005). With the development of CRM, it becomes a very wide range and involved in various fields. Different people have different understandings and treatments for it. One view is that using the relevant customer information and knowledge to provide better products and services to more customers. Another view is that CRM can be seen as a strategic method for company to create more shareholder value by developing and improving relationship with customer. Many definitions focus on the complex character, goals and logistics of CRM (Bull, 2003).

![The CRM Continuum](image)

**Figure 2. The CRM continuum (Payne and Frow, 2005)**

3.5 Critical issues in third party logistics relationship
After established the relationship, how to improve the relationship is also important. Selviaridis and Spring (2007) summarized some significant factors which can influence the relationship between TPL provider and customer and even can extend to strategic cooperation and development within enterprises:

1) The two parties have common goals and respect each other’s cultural background;
2) Share both risks and benefits;
3) Have a better system of communication and information sharing;
4) Achieve balance of rights between two sides;
5) Plan, manage, control and maintain the relationship together;
6) Top management support and staff cooperate;
7) Provider fully understands the requirement and can flexible response;
8) Keep innovation and updating to provide better service;
9) Set up dispute resolution mechanism.

3.6 Contract in third party logistics relationship

In order to protect the interests and rights of the partners in third party logistics activities, the cooperative relationships are constrained by the contract. To make the difference of “traditional ‘arm’s length’ sourcing or transportation and/ or warehousing”, the contract of the participants need to require that the time of the cooperation should last for at least one year. The content of the contract also should be contained some “management, analytical or design activities” (Berglund et al., 1999). Boyson et al (1999) also thought that contracts play an important role in the relationship between companies and TPL providers. Most academics agree that have a formal contracts is the guarantee of TPL relation management. Selviaridis and Spring (2007) summarized some typical items in TPL contracts:

1) Description of concrete content like services and activities;
2) Term of contract;
3) Costs of each activity;
4) Additional benefit payment of excellent performance;
5) Indemnity clause of performance that do not meet the requirements;
6) Liability of breach.

However, some researchers consider that detailed contracts only are needed when both sides lack of trust (Lambert et al., 1999).

3.7 Specific issues for third party logistics in customer relationship management

Differ from the traditional enterprise, third party logistics provider not directly sale product or service for customer. It often provides logistics services like material transportation, warehouse management and product distribution to connect both sides of supply and demand and each service is facing at least more than two service object. It is just a “middleman”. Hence, in order to complete the mission, TPL providers not only need to understand the customers, they must also have knowledge about the customers’ suppliers, customers and other related stakeholders. Besides managing relationship with customers, the relationships with customers’ stakeholders are also can be seen as management objects (Hertz and Alfredsson, 2003).

With the growth of fierce competition, more and more third party logistics providers think highly of customer-oriented. However, if TPL provides do not convert the customer-oriented idea into the actual value which means that having sufficient knowledge about their customers and creating more and better services for them, they will not have long-term development and gain real benefits. One way to implement customer-oriented is to expand service variety to provide innovation services besides basic logistics service. For instance, freight forwarding, reverse logistics, marketing management, security management, supply chain management, information management and project management (Tian et al., 2009).
Third party logistics providers not simply provide standard and unified transportation or warehousing service for customers. Since different customers have different requirements and the requirements are higher and increasingly unpredictable in nowadays. Making exclusive services to different types of customer become a common phenomenon. Furthermore, TPL providers also need to evaluate current business development trend, expect new customer demand and market environment, identify areas for improvement and provide more value-added service for customers (Flint and Mentzer, 2000).
4. Empirical findings

4.1 HUIXIANG profile

HUIXIANG Industrial Co., Ltd. is a Chinese company based in Chengdu in 2000. The main businesses for HUIXIANG are transportation, warehousing and distribution and especially focus on cold chain logistics. The transportation and distribution services contain ice cream, frozen food, frozen meat, edible fungus, drugs vaccines, fruits, vegetables and low-temperature refrigeration products. Including all drivers and porters, HUIXIANG Company has 189 employees. It owns 138 transport vehicles and tries to make each vehicle equipped with temperature control device and GPS satellite positioning system. The scope of services is mainly in the southwest region. It establish services network in Sichuan, Chongqing and Guizhou province and Yunnan is under construction. Based on high-quality refrigerated transportation and distribution, cold storage resources, multi-service network as well as multifunction refrigerated logistics, HUIXIANG Company provide several integrated management like warehousing, transportation, sorting, packing, processing for customers from raw materials procurement to finished goods. It also can help customers collaborate upstream and downstream in supply chain and expand and create value for them by improving service quality and support customer sales in the cold chain management.

The business concept of HUIXIANG is “safe, punctual and thoughtful” and “all for customer satisfaction”. Based on the traditional transport agency business, with the highly qualified personnel, HUIXIANG strive to build integrated transport service system and dedicated to providing customers with modern logistics. In 2012, HUIXIANG was elected to the National Cold Chain Logistics top 50 and obtained the ISO 9001 quality management system certification in 2013.
Because of the high capability, now the company establishes good partnerships with many famous enterprises and becomes their delivery service provider in southwest region like YILI Group, Wal-Mart Stores, McDonald's, FERRERO ROCHER, Bright Dairy, TIANYOU Dairy, Ganso Food, Haibawang Food, LONGFENG Food, SINIAN Food, SANQUAN Food and TONGWEI Group (HUIXIAN, 2014).

4.2 Why should HUIXIAN pay attention to CRM

For Chinese market, especially the third party logistics industry, it is still a buyer’s market. The vice president of the HUIXIAN Company thinks that customers are the rules of the game. In order to survive in the fierce competition, the third party logistics providers should pay more attention to customer and have a better understanding of customer requirements.

Traditional logistics is only for transportation and warehousing. However, third party logistics focus on help customer deal with the whole supply chain work which needs high level of service and profession. Hence, TPL provider should consider for customers in various aspects. HUIXIAN Company is a TPL provider and the main business is in the cold chain logistics. It provides TPL service for many famous enterprises. It has to understand the needs of all customers and balance the resources to achieve them.

HUIXIAN Company considers customer relationship as the basis of cooperation both for the continuation of old customers and the development of new customers. So far, company has not done any advertising. It creates new customer relationship often through the introduction of peer and customer. This is due to the company has good relationship with competitor and a higher customer loyalty. They bring more business opportunities to them.
The vice president also thinks that good customer relationship is conductive to enhancing trust and also good for problem solving. Some problems may occur in the process of cooperation with customers. If these problems are not enough to affect the interests of customers, customers often choose to believe HUIXIANGL can solve the problems well because they feel that the company has sufficient capacity in the long-term cooperation.

4.3 How do HUIXIANGL manage relationship with customer

HUIXIANGL Company usually establishes relationship with customers after has mutual understanding and cooperative negotiation which can ensure that company has sufficient capacity to complete the tasks. It signs the form contracts with all long-term customers and both sides will be 100% in strict accordance with the contracts. HUIXIANGL regards contract as “tangible commitment” to clear responsibilities and obligations. When the customer requirements cannot be met, HUIXIANGL Company will communicate with customers in time and looking for alternative solutions.

HUIXIANGL Company gets customer information by regular customer meetings and regular or irregular customer feedback. It also has several ways to communicate with customers like email, phone call and interview. Phone and email is for the daily and small problems and weekly or monthly interviews are for follow-up control. The main method for HUIXIANGL to manage customer relationship is using customer feedback. The office staff will collect all customer feedbacks and information and do classification. Then, the vice president will send the relevant personnel to resolve them within the specified time according to the classification. Some communication barriers will appear on the issues of principle like national laws or the rules and regulations of the company. The solution is that both sides will find alternative plan or make some concessions together.
HUIXIANG Company always provides same service both for short-term customer and long-term customer because each customer should be treated equally. However, HUIXIANG usually arrange resources for long-term customers at first. Then, it measures the resources and uses the remaining resources to select short-term customer to cooperate. HUIXIANG provide fixed customers with resources of normal operation including vehicles and personnel. It also has a security center to deploy additional resources for a temporary increase of customer demand. Most cooperation with customers is more than five years. Like YILI Group, which has the largest scale and the most complete product line in Chinese dairy industry, has cooperation with HUIXIANG Company since the establishment of the company. This can show that HUIXIANG does well in customer relationship management and a good customer relationship can promote long-term cooperation.

HUIXIANG Company will refer to the excellent and advanced management modes. After adjustments, it will transform them to its own management methods, so as to optimize the management. Meanwhile, some customer requirements will also help HUIXIANG Company improve performance and can provide better services for more customers. In the beginning, HUIXIANG did not have high-tech monitoring system. With the increase of customer requirements in transportation, although company does not have enough money and technology to build a monitoring system by itself, HUIXIANG entrust YILIU GPS Company to achieve “transport transparency”. YILIU GPS Company provides a monitoring platform which combine GPS (Global Positioning System), GIS (Geographic Information System) and GPRS (General Packet Radio Service) and let HUIXIANG improve the management of transportation. HUIXIANG can whenever and wherever possible to know the operation of vehicles, such as speed, location, temperature of the freezer and road condition.

The vice president of HUIXIANG thinks that successful customer relationship needs mutual efforts. Although the company is the TPL service provider, both sides have the same right and should solve the problem together instead of pushing to one side. The
second key is keeping communication open. HUIXIANG never has errors due to miscommunication. It regards communication as an important tool to solve the problems. Timely and effective communication and the integrity of emergency response plan is the security of relationship. Company strength is also an importance for customer relationship. The high standards of hardware configuration and service let HUIXIANG has customer base. It operates cold chain logistics and third party logistics almost 15 years and has abundant management experience. It makes HUIXIANG gets ahead of the industry and introduces advanced technology and management expertise. Furthermore, company has the consciousness of CRM is also significant. As the business vision of HUIXIANG Company, “all for customer satisfaction” is its starting point. Standing in the customer point of view can get the best customer satisfaction and maintaining customer satisfaction can improve customer loyalty. Accordingly, customer relationship can be further consolidated.

4.4 FLB profile

FLB is a third party logistic company which founded in 1987 and based in Gävle, Sweden. As a privately owned company, FLB contains 10 employees and a number of hourly employees. In 2012, it had sales of 15 million SEK. FLB set up its main plant in Gävle which covers an area of 5800 square meters and has 7500 pallet spots in racks. The plant provides a dry and temperate environment and stores the goods with high security which means high attention on fireproofing and theft. As a third party logistic provider, FLB is strategically located for road, rail and shipping traffic because of its advantageous geographical location. The facilities of FLB are very close to the port of the city which is one of the Swedish major import-export ports, and the company is only one hour from Arlanda Airport, the goods can reach Denmark, Norway, Finland, Northern Germany, Poland, Estonia, Latvia, Lithuania and Western Russia within two hours by air.
At present, the basic business of FLB is warehousing and material handling. The managers of FLB attaches great importance to customers, so that the business of FLB is mainly based on customer’s needs, which means they can provide all kinds of logistic service according to the customers’ private requirements, including for example warehouse management, transportation, loading and transactions in whatever their inventory or customers’ and other value-added services. The value-added services contain for example picking and packing, external warehouses operation and goods receipt, even quality control.

The vision of FLB is to “be the best logistics solution for our customers- today and tomorrow”. In order to be able to cater their customers’ real needs instantaneously, FLB has assigned special persons in charge of the communication and coordination with the customers. Because of the considerate service and high quality work, the number of customers of FLB has increased gradually, and many famous international enterprises have become their clients. So far the customers of FLB are included Panasonic, Ericsson, Cibes Lift Group, Gevalia, Olympus and SATS. FLB promises that they will do everything to add value and create greater profits for their clients (FLB, 2014).

4.5 Why should FLB pay attention to CRM

The biggest reason why FLB pays so much attention to building a good relationship with the customer is the company’s tenet. FLB aims to become the best logistics choice for the customers. The authors had an interview for FLB Company and one of its customer- Gevalia. Because that Gevalia is one of the most important customer of FLB and the biggest cooperator in Gävle, the cooperation of FLB and Gevalia could be the representative to show the customer relationship management of FLB. Gevalia is a coffee brand of Sweden which locates in Gävle and produces about 32600 tons coffee per year to Nordic market and US mail order business. According to the
interview, Gevalia used to have another third party logistic provider before, but the cooperation was terminated because the company could not meet their needs. The failed cooperation of pervious TPL provider makes Gevalia more cautious about cooperation now. However, FLB does very well in the cooperation. It fulfills many specific requirements of Gevalia. Hence, Gevalia outsource more and more logistics activities to FLB. It also brings a lot of profits to FLB. Therefore, FLB tries to build a healthy and everlasting customer relationship with all the clients. The manager of FLB also thinks that the endeavor on maintaining customer relationship will increase customer’s trust.

4.6 How FLB manage the relationship with customers

According to the interview, FLB did a lot to satisfy the Gevalia’s needs to maintain the customer relationship. At first, because that FLB and Gevalia are both Swedish companies, the same cultures and environment largely reduced some problems due to geographical factors. As a coffee manufacturer in high yields, Gevalia’s primary need is the enough stocking space for the finished good, and Gevalia also needs the transportation service due to their 92% goods for retail and customers in Nordic. The location of FLB Company is very close to Gevalia factory. Hence, the geographical advantage could make the transportation easier and help to save the transportation cost during the way to warehouse. Because that the goods of coffee has special smells and need to be stored with particular form, Gevalia has a lot of special requirements to FLB. It is worth mentioning that FLB also provides packaging service for Gevalia, it helps Gevalia to pack the processed coffee beans or ground coffee. Gevalia requires that the package boxes or papers should strictly be ensured clean, and the trucks which transport the coffee goods should avoid any peculiar smell. The demand of Gevalia also contains the environmental requirements that FLB must comply with.
In order to have a timely communication and control the work in progress at any time, FLB takes the customized schedule when it cooperates with Gevalia. The managers of FLB attaches great importance to each client, for Gevalia, the managers decided to appoint an employee to work in Gevalia, and be responsible for all the packing, transportation or distribution activities in Gevalia. The two companies communicate with each other through electronic data interchange (EDI) and information and communications technology (ICT). FLB will make flexible responses to deal with different situations.

By doing all kinds of efforts to meet the requirements from Gevalia, FLB finally achieved the trust from the client and built a stable relationship with Gevalia. Although the cooperation between FLB and Gevalia is very stable, the manager of FLB expresses that FLB is still keeping improving the technology and management, expanding the business scope and exploring more competitive advantages.
5. Analysis and Discussion

5.1 Why should TPL provider pay attention to CRM

Both in theoretical framework and empirical finding, customer relationship is vital for a third party logistics provider. Like Hertz and Alfredsson (2013) presented, the fierce competition is more and more obvious in third party logistics business. Customer relationship management is a key strategy to approach the challenge and adopt the environment. However, there is a difference between two case companies. For HUIXIANG, it is a Chinese company in a big city, Chengdu, which is prosperous and has a population of fourteen million. Therefore, it is still a buyer’s market which means that the customer is dominant. Although the company is large in scale, customer also has a lot of choices. In order to attract customer and retain customer, CRM needs to be emphasized. For FLB, it is a Swedish company in a small city, Gävle. The population is less than one hundred thousand. FLB has enough storage in good condition and strong transport ability and it thinks that there are no more competitors in Nordic area. Relatively speaking, HUIXIANG has bigger pressure of competition.

Logistics industry is service industry. Customer is the service object for TPL provider. Hence, customer relationship management is especially important in whole relationship management. Compared with traditional logistics, third party logistics not only provide transportation and warehousing service but also packing, sorting, distribution and supply chain management (Marasco, 2008). Moreover, these additional services make the logistics activities more complex. TPL provide cannot use standard and unified services to serve all customers (Flint and Mentzer, 2000). Accordingly, TPL providers should consider more for customers in various aspects and even the related stakeholder of customers (Hertz and Alfredsson, 2003). A more comprehensive understanding of customer and more close cooperation with customer
is worthy of attention. Making exclusive plans for the customers and contacting more closely with customers which entrust the majority of logistics activities to them is worthy to be considered. FLB is very good example. Since it takes almost all of the logistics activities of Gevalia, FLB realize the importance of relationship with Gevalia. Hence, it takes work schedule of Gevalia and sends a staff to Gevalia to cooperate fully with their logistics work.

Payne et al. (1999) present that maintaining and improving the existing relationship is more efficient than developing new customers. Company profitability is positively related to customer loyalty. To some extent, customer loyalty is positively related to customer satisfaction (Ravald and Grönroos, 1996). This can be reflected in the case. The two companies have benefited from good customer satisfaction. HUIXIANG Company has no advertising because that its old customers and peer will introduce new customer for it. It can confirm that great customer satisfaction will let customers make positive publicity for company voluntarily (Sharma et al., 1995). FLB has no advertising as well. Gevalia chose FLB Company as its TPL provider because that FLB is close to Gevalia factory that can save transportation cost and easily to load and FLB has strong capability to undertake the transportation and warehousing management of Gevalia. Due to Gevalia had a failed cooperation with another TPL provider before, it is fully satisfied with the good service of FLB Company. Gradually, with the FLB complete mission very well, Gevalia entrust more and more logistics activities to FLB including packing and distribution. This suggests that great customer satisfaction will let customer keep buying and make additional purchases (Sharma et al., 1995). Hence, good customer relationship management can improve customer satisfaction then increase company profitability.

As mentioned in theoretical framework, trust is the foundation of relationship building that contains reliance and confidence (Wilson, 1995). However, according to the case studies, a contrary relation can be seen. Because HUIXIANG has good relationship with customers, its customers fully believe that it has the ability to solve some
problems may appear in the cooperation process. Just like HUIXIANG, due to Gevalia is so pleased in the cooperation with FLB, it trust FLB more and more as well. Minihan (1996) come up with that trust can promote simple transportation management outsourcing to more complex logistics activities between customer and third party logistics provider. Hence, Gevalia almost delivers all the logistics activities to FLB. Consequently, for TPL provider, a good relationship with customer also can enhance mutual trust.

5.2 How do TPL provider manage the relationship with customers

At first, companies have to pay attention on customer relationship management including top management support and staff cooperation (Selviaridis and Spring, 2007). The business concepts of two case companies, “all for customer satisfaction” and “to be the best logistics solution for our customers - today and tomorrow”, both can show that they are very concerned about their customers. Besides, HUIXIANG learn from excellent and advanced management modes to optimize its own management. FLB is also still working for technology and management improvement. Keep innovation and updating to provide better service is one of critical issues in relationship management between TPL provider and customer (Selviaridis and Spring, 2007).

As mentioned in theoretical framework, according to the ability of customer adaptation and problem solving, third party logistics provider can be divided into four types: standard third party logistics provider, service developer, the customer adapter and the customer developer. Standard third party logistics provider is the most basic provider form. It only provides basic functions of logistics activities for customer. With the continuous improving ability of adaptation and problem solving, TPL provider can become customer developer which means having high integration with customer (Hertz and Alfredsson, 2003). Both HUIXIANG and FLB are not stay in
standard TPL provider. They do well in adapting individual customer and balancing the resources among several customers. About HUIXIANG Company, provides same resource and service for short-term customer and long-term customer because each customer should be treated equally and sincerely. Due to long-term customers are short-term customer evolved, if the company want to develop long-term customers, it should let the customer be satisfies with the service in short-term relationship. However, HUIXIANG usually arrange resources for long-term customers at first and then uses the remaining resources to select short-term customer to cooperate. That is the academic article suggested that pay more attention to potential long-term cooperation rather than temporarily attractive short-term (Hunt, 1994). It also constantly adapt to the needs of customers. Since some customers require more strict management for transportation, although HUIXIANG does not have enough money and technology to build a monitoring system by itself, it entrust another company which is professional in this field to control the transportation. This is the essence of CRM: utilizing the relevant customer information and knowledge to provide better products and services to more customers (Bull, 2003). About FLB, because that the finished good of Gevalia is coffee, Gevalia has many requirements on it. For instance, the storage environment must be dry and clean and the smell of other goods cannot spread. Owing to Gevalia is the major customer, FLB continue to improve warehousing and transportation environment for it. TPL providers ought to increase the ability of balancing resources among several customers and adapting individual customer’s demands.

It is worth mentioning that both two case companies have very good communication with customers and gain trust from customers as well. Before establishing the cooperation relationship, HUIXIANG will has mutual understanding and cooperative negotiation with customers to test whether it is suitable for cooperation. It also can confirm that it has complete understanding of customer requirements and two parties have common goals to achieve (Selviaridis and Spring, 2007). In the process of cooperation, HUIXIANG Company adopts a variety of communication tools like
email phone call and interview to deal with different situation. It usually earnestly and timely approach customer feedback. HUIXIANG can say with confidence that it never has errors due to miscommunication. In addition, HUIXIANG signs the form contracts with all long-term customers. According to the contrast with theoretical framework, some researchers consider that detailed contracts only are needed when both sides lack of trust (Lambert et al., 1999). HUIXIANG Company thinks that even if the two sides have enough trust, contrast is also necessary in order to clear responsibilities and obligations. About FLB Company, since its main customer is Gevalia, the manager appoints an employee to work in Gevalia, and be responsible for all logistics activities in Gevalia and follow up the situation at any time. FLB also takes the Gevalia schedule in order to have a timely communication and control the work in progress. In the interview of Gevalia, it is appreciate for this kind of practice of FLB. Gevalia thinks that it gets sufficient attention from FLB. In addition, it uses some high technology methods like EDI and ICT. Therefore, as said in theoretical framework, have a better system of communication and information sharing will help solve disputes and coordinate expectation (Rutner and Gibson, 1998; Selviaridis and Spring, 2007).

Selviaridis and Spring (2007) put forward that two sides have common goals and same rights and can respect each other’s cultural background and set up effective dispute resolution mechanisms a key in third party logistics relationship. As a TPL provider, although HUIXIANG Company is to serve customers, it thinks that successful customer relationship needs mutual efforts. Both sides have same right and should solve the problem together instead of pushing to one side. For FLB and its major customer Gevalia, their headquarters are located in Gävle and have same cultures and environment.

Third party logistics provider can has higher integration by becoming a real customer-oriented enterprise. This is also mentioned in the interview, the vice president of HUIXIANG thinks that TPL provider can get better relationship with customer when
it stand in the customer’s perspective. Standing in the customer’s perspective, evaluating current business development trend, expecting new customer demand and market environment, identifying areas for improvement then it can provide more exclusive and value-added service for customers (Flint and Mentzer, 2000). Like FLB expect that more and more customers want to have strict control of transportation, it associate with YILIU GPS Company to achieve “transport transparency” for all customers. According to the requirement of Gevaia, FLB also find insufficient in its inventory and transportation environment. After that, it makes improvement to provide a better environment for other customers.
6. Conclusion

The authors chose to do this research to explore the customer relationship management from the perspective of third party logistic providers because of a limited number of previous studies in this area. As mentioned before in the induction, two research questions were submitted to achieve this purpose:

1) Why should third party logistics provider pay attention to customer relationship management?
2) How do third party logistics providers manage the relationship with customers?

At first, in general, a good customer relationship is the key factor to affect the trust and loyalty between the companies and customers, and company profitability is positively related to customer loyalty. Hence, the companies should try to attach more importance to the management of customer relationship in order to make more profit. Due to the rapid raise and development of the third party logistics, the number of third party logistic company has increased fast. This makes the customers have more choices when they need to corporate with a third party logistic company. The fierce competition in the industry spurs the third party logistic companies to attract and keep the customers, so better to deal with the relationship with customers is no doubt the most important way to keep the customers. In addition, the TPL belongs to the service industry so the customers are the most important. To compared with the traditional logistic, the third party logistic companies take charge of most of the logistic activities not only the transportation and warehousing. As a middleman, TPL provider even needs to concern about customer’s stakeholders. The particular characteristics of third party logistic make the TPL companies have to know more about the customers’ needs and pay more attention to dealing with the customer relationship.
About how to manage the customer relationship from the perspective of TPL providers, the authors summarized the following approaches. For the first way, both FLB and HUIXIANG care about any needs of their clients, and the managers of two companies attached great importance to the customer relationship. Hence, the management of a good customer relationship depends on the managers’ understanding and support, and also relates to the coordination from the employees. Next, the other way to manage the relationship with customers is to advance the core competition capability by the means of persistent technical innovation. The third also the most important points to manage the customer relations is to meet the customer’s needs and provide a better service, it is also the essence of the customer relationship management and the most basic requirement to cooperate with the customers. It is also worth mentioning that signing the contract while conducting cooperation can be a necessary guarantee to protect the interests of both sides and clear the responsibilities and obligations. The TPL companies should also respect the cultural background of the clients and set up an effective dispute resolution mechanism to reduce the failure rate of the cooperation.

All the approaches above are the generally ways to manage the customer relationship, and suitable for most of the companies. For the third party logistics providers, the authors also gave some specific advices to help manage the relationship with customers better. First, the TPL companies could provide more service items to attract customers and also customized special services according to different customers’ needs. During the cooperation with the customers, TPL companies should pay attention to the real-time communication and information exchange with the clients, prompt information exchange is the long-term guarantee to maintain the relationship and avoid the errors and loss of misunderstanding. TPL companies should also try to forecast customer demands from the previous experience and make the instant response. At last, while cooperating with several customers, the TPL providers need to allocate resource reasonably and also make efforts to achieve the demand from single customer.
6.1 Contribution

The contribution of this thesis can be divided into two aspects, the contribution for theoretical part and the contribution for practical part. As mentioned in the background, the number of the related researches and papers of the management of the customer relationship is quite limited. With the rise of the TPL industry, the lack of the theoretical materials on this aspect will be no doubt not a promotion for the development of TPL. Due to the lack of information about the customer relationship, many TPL companies may ignore the importance of the management of customer relationship and suffer a loss because of it. One of the key points of this thesis is to emphasize the importance to manage the relationship with customers for the TPL companies. In addition, the summarization of how to manage the customer relationship might be some references and advices for the TPL companies to improve the behavior on this aspect. The third party logistic providers may be able to get some inspiration and alert when they processing the relationship with their customers.

6.2 Limitation

Due to the limitation of time and geographic, the authors cannot do a deeper research on more companies. There is only one company in one country may cause the information defective in detail, however it will take a relatively long time to find more suitable interviewees. The geography makes the authors cannot do a real visiting to the Chinese company HUIXIANG just like the visit to FLB and Gevalia. In addition, the thesis is to study the management of customer relationship from the perspective of TPL companies, there is no much information from the customers’ perspective. All the conclusions are drawn by summarizing, but not being implemented by the authors, so the effect needs to be further verified. Although the literatures which are used in this thesis both selected carefully, there is still certain random while selecting. All the
literatures are helpful for this research but may not the most appropriate and comprehensive ones. Some of the information which is translated from Chinese may have some small biases, and all the knowledge are based on the Master degree so there will be some terminology limitation as well.

6.3 Further study

This thesis aims to explore the drivers and measures to the customer relationship management. For the second research question, the authors only provided some specific measures to help manage the customer relationship. However, it is regret that there is no a specific mode or standard to guide the third party logistic companies to manage the customer relationship. In the further study, perhaps there can be a targeted model or standard as guidance on how to manage and implement the customer relationship management for all the third party logistic companies.
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**Internet**


**Interviewees**

Ping Yang, vice president and customer extension department, HUIXIXANG Industrial Co., Ltd

Peter Jonsson, managing director and head of department, FLB Company
Appendix I

Interview question for HUIXIAN and FLB

1) What services do you provide?

2) Which customers do you serve?

3) What is the relationship between you and your customers? How do these relationships work?

4) Which role does customer relationships play in your business?

5) What benefits do you think a good customer relationship can bring in? What can a “bad” customer relationship bring? Do you have experiences of “bad” customer relationship? What happened in those cases?

6) Do you have some specific methods or models to manage the customer relationship? In that case which methods and models? How do these models work?

7) Do you have a department or specific staffs for managing customer relationship? In that case, how do these department and staff work?

8) How do you get your customer information? (eg. let customer tell you or find it by yourself)

9) How do you communicate with your customer? (eg. phone, email, face-to-face…)

10) How do you build relationships with customers? How do you maintain the relationships?

11) After the establishment of relationship, whether the relationship is guaranteed? For example, using the contract. If yes, whether the contract in accordance with the standards?

12) How important is customer satisfaction? How do you evaluate the satisfaction of your customer?

13) What kind of qualities do you think a successful customer relationship should have?

14) Do you have different treatment between long-term and short-term relationship?

15) Did you meet some customer requirements that you are unable to fulfill?
16) Did you have some barriers in your communication with customer? How did you solve it?
17) Did you have some errors due to miscommunication?
18) How to develop new customers? What is your promotion tool?
19) Did you get some inspiration from the customer relationship then do some improvement in your management?
20) How to balance the resources among several customers?
21) In your opinion, what is the difference in customer relationship between traditional logistics and third party logistics? What are specific characteristics for customer relationships within 3PL?
22) What is your competitive advantage?

Interview question for Gevalia
1) Why Gevalia need third party logistics provider?
2) Why Gevalia choose FLB logistics company as your third party logistics?
3) Are you satisfied with your cooperation with FLB?
4) Is any requirement that Gevalia need FLB Company to achieve?
5) What advantages when use FLB logistics company?