

Logistic and Transport Management

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STRATEGY FOR CUSTOMER EXPANSION

- EXECUTIVE GUIDELINES

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ABSTRACT

This study offers a description of Schenker Dedicated Services AB (SDS) and their current problem with identifying their most promising target markets and potential customers at these markets. The purpose of the thesis is to explore what possibilities SDS have to reach their objective to grow in terms of new customers, sales, profit and position at the market. The goal with the thesis is to generate a solution for SDS that lowers the costs and the long lead-time, which today is a perceived problem in the process of recruiting new customers. The recruiting time and costs were the underlying reasons that initiated this thesis.

In this thesis general guidelines are presented to the management at SDS concerning how they should improve their customer recruiting processes. To reach the conclusions formed as guidelines several internal and external interviews were conducted. These interviews focused on exploring buying behavior and underlying factors that are of high importance for companies with a possible need for a dedicated transport solution.

As a result of the conducted interviews, three market channels were identified, namely Tender Management, External Consultants and Account Managers at Schenker, and their suitability was examined. The examination of the market channels focused on “hard values” which represent measurable values concerning goods value, transport distance etc. The more abstract factors referred to as “soft values”, such as corporate comparability and strategic willingness to form partnerships are more difficult to measure.

Besides the market channels a selection process is presented. This selection process is based on several factors, which SDS should recognize before considering initiating any business negotiations. A selection process that identifies if the adequate hard values are fulfilled should be the first step in the recruiting process of any new customer for SDS. According to the authors SDS should not focus too much on the “hard values” but instead pay more attention to the “soft values” requirements that ought to be fulfilled for successful partnerships in the future. This could be summarized as if a potential customer expresses the right intention from the right strategic level to cooperate, the hard values could be seen as the second most important factor as long as they fit into the framework set up by SDS management.

Key Words: Market Channels, Partnership, Buying Behavior, Business Segmentation, Targeting and Positioning

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1. INTRODUCTION

In this chapter the background of the research problem will first be discussed, followed by the problem statement and the purpose of the project. The authors will end this chapter by presenting the thesis limitations and disposition to the reader.

1.1 Background

Schenker Dedicated Services AB (SDS) was formed through a successful business relation between Schenker and SKF. As a result of SKF's strong demands on service complexity and delivery accuracy SDS and the current solution offered was formed. This was in 1991, since then SDS have offer dedicated transport solutions for SKF and since 1997, they also offer the service to other potential customers.

Using solutions like Hub & Spoke, EDI – communication (Electronic Data Interchange) and closer relations between the two parts resulted in a prosperous relationship. Through the years information technology has become a very essential part of the SDS product. Separating the SKF goods flow from the general Schenker network, higher frequency and reliability, simplicity, Track & Trace and one point contact for the customer could be achieved. The size and complexity of the network solutions offered naturally results in a long- term relationship. This results in a high level of trust and co-operation between the companies, which in turn leads to constant improvements.

Today SDS has one customer, which means that they are very reliant and dependent on one source of income. This, in combination with the well-working service offered, has led to an interest from SDS to seek new potential customers. Since SDS started to focus on expansion, they have had problems tying new customers to the company.

Within the Schenker group there is a function called Tender Management. When a customer asks for a quotation, which exceeds an annual turnover of 25 MSEK, it is managed by the Tender Management function (E. Lindström, 2001). Tender Management strives to find the best available solution to serve the customer among all Schenker organizations. When Tender Management receives a "Requests for Quotation" (RfQ) they need a certain period of time to analyze it, to see where the customer best fits into the Schenker group. When customers set out RfQ's, the suppliers have a certain period of time to generate a solution offer for the prospective customer, and this period could be as low as two weeks. If the customer could be an interesting object for SDS the RfQ is sent there for

further analysis. This means that before SDS receives the RfQ, a large portion of the quotation time has already elapsed. Consequently, SDS may have as little as a couple of days to dedicate resources to analyze the RfQ and to determine its business potential (M. Strand, 2001).

Today SDS is constantly in contact with potential customers but the trend with recruiting new customers has been high investment costs, long and careful negotiations with no successful outcomes so far. This problem, with tying up customers to the company, might be a result of several factors involved in the recruiting phase.

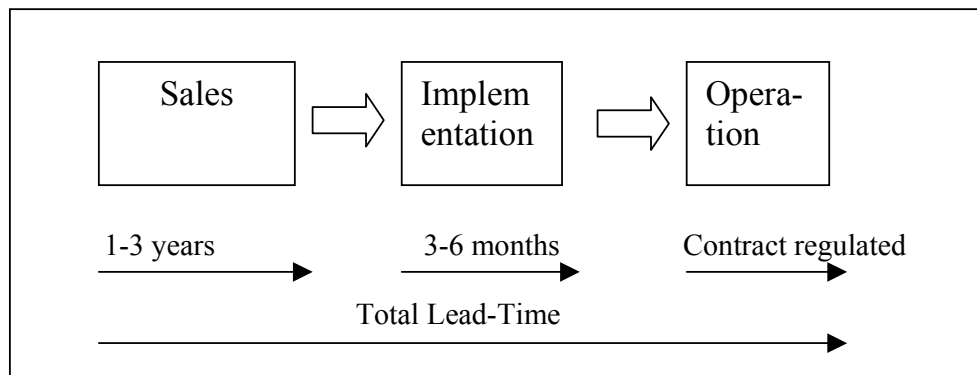
The service that SDS offers requires a certain logistical knowledge from the customer, in order to identify and understand the possibilities of improvement that a solution like this can result in. Consequentially, companies that do not possess this logistical knowledge are not likely to be susceptible to the SDS services.

SDS operates within the Schenker group, it is an independent company with regards to account management and line function responsibilities. This enables enforcement, the capability and flexibility to meet the customer's different demands. SDS is supported from the top management within Schenker and is given a free role to purchase services outside the Schenker group.

1.2 Problem Discussion

At a SDS board meeting in 1999, the board set up strategic goals that SDS, by the end of 2003, should have four customers (M. Strand, 2001). Since the focus on expansion started, they have had problems tying new customer to the company. A variety of factors play an important role to this problem. Examples include time aspect for sales, lack of resources, logistic maturity etc. These are more thoroughly presented below.

Attracting new customers could be described as a three-step process. This process contains sales, implementation and operation. According to SDS managers this process is currently too time consuming

Figure 1: The three-step process

Due to the complexity of the service, it takes time to sell in the service to a customer. There are many different characteristics that have to be investigated and analyzed from both parties to be sure of a successful partnership. One important characteristic is to gather all information regarding the customer's transport solution today, to analyze this, how to build up the new tailor-made network solution and finally get approval from the customer. A solution like this means a lot of changes in the customer's organization, which means that this project has to have management support all the way from start to implementation. Examples of changes could be that a customer abandons the strategy with one warehouse per country they operate in, and instead build up a central warehouse. The service provided by SDS is very focused on logistic solution, not only operating the transport network.

The service that SDS offers requires an awareness of the customer about supply chain management, how to know and understand the possibilities of improvement that solutions like this can result in. The customer's ability to integrate an EDI-based communication environment and their overall insight regarding the impact of a possible total logistic re-engineering, are areas that determine the logistical knowledge (A. Jigberg, 2001).

This is an important part that the customer must fulfill before they are suitable for SDS services. Today SDS doesn't have any clear guidelines as to what logistical maturity actually means and how to measure it. This is an important factor due to the relevance of the customer's maturity within this area. If the potential customer doesn't have a well-developed logistical knowledge SDS have to explain and educate them in logistics. This is both expensive and time consuming and might not even lead to a partnership between the two companies. All these factors together are very time consuming to go through and results in a long total lead-time for the sales phase.

With an organization designed to serve one customer, SDS is very trimmed to fit SKF's demand. This makes it difficult for SDS to dedicate resources for analysis of prospective companies in a quick and efficient way. To solve this resource problem SDS sometimes hire consultants to help them investigate the potential customers. This means a high cost and risk for something that might turn out to be nothing.

SDS business strategy is to present logistic solutions for large companies with complex logistic needs that do not fit in to the general Schenker network, to offer them a tailor-made network solution with optimal service level. This solution has to be presented for the customer before a final business agreement, which forces SDS to expose their solution before the customer is tied up to a business relation and has generated any revenues. This could, and has in fact, resulted in, that prospective customer using parts of the solution or idea presented by SDS, in business relation with a competitor to SDS, which could be seen as a risk.

1.3 Problem Statement

The management at SDS presented the main problem as follows:

How can SDS increase their customer base, and how can this be done quicker and with less financial resources?

1.4 Purpose of the Project

The purpose of the thesis is to explore the possibilities for SDS to reach their objective to grow in terms of new customers, sales, profit and position on the market.

The goal with the thesis is to generate a solution for SDS that could lower the costs and the long lead-time, which occur when recruiting new customers.

SDS indicated a need for some kind of measurement tool that will determine if the potential customer is suitable for SDS or not, with a focus on hard values. This means a tool that will make it easier for SDS to recognize potential customer in an earlier stage, which in turn can lower the respond-time and the RfQ treatment cost. The purpose of thesis is to generate normative guidelines that could be used as recommendations for the management at SDS.

1.5 Delimitation's

Every research effort requires delimitation in order to make the problem statements possible to achieve within the time frame available. In this thesis the authors have chosen the delimitation stated below in order to concentrate on the main problem presented in the problem statement. Doing this, the authors hope that this will result in more depth of the thesis.

- *Focus on manufacturing and wholesaling companies with a fairly strong position on the Swedish market.*
- *No contact and research of companies that are associated with products that interferes with the Schenker Groups restrictions.*
- *To only give recommendations and not consider the practical implementation of our recommendations*

2. PRESENT SITUATION

In this chapter the reader will get an overview of today's situation to higher the understanding throughout the whole of the thesis. A brief branch analysis of the European market, a comprehensive introduction to Schenker AG, a deeper presentation of Schenker Dedicated Services AB and its product, guidelines and key factors for recruitment of potential customers will be presented.

2.1 The European Market

Changes in the world of logistics are today driven by developments in the world economy, namely the globalization of business, the dismantling of trade barriers and the trend of manufacturers to outsource their logistics activities. These are some of the parameters that are changing the dynamics of the logistic industry in Europe and the rest of the world. Global rather than regional sourcing, faster product to market and quicker turnover of inventory, globally, are all factors that impose increasing demands on logistic providers. Furthermore, on a European scale, the traditional boundaries between countries and economics are disappearing, which causes many companies to view Europe as a single market. It is for this reason that consolidation is occurring in the European and global logistic fields. Over recent years, several high profile mergers, acquisitions and alliances have taken place within the logistics industry. The merger and alliance activity has ranged from large-scale global acquisition, through regional fill-in acquisition down to regional alliances (Datamonitor, European Logistics 2000, Executive Summary).

Geographical coverage is not the only motivation for mergers and acquisitions. With retailers and manufacturers operating on an increasingly global level they are seeking "one-stop-shopping" for their logistics services. This means that the ability of the logistics provider to cover entire supply chains, to offer "one-stop-shopping", is a key factor for success. This results in an increasing demand for logistics companies that can offer total logistics solutions to their clients (Datamonitor, 2000). This means that they take care of inventory management, delivery and returns, customer calls etc. The companies who have been able to provide these pan-European "one stop shopping" for supply chain services have been mainly American logistics providers who have expanded into the European market. This mainly with the attention to supply large American companies with a genuine global logistics service.

The European market for land transportation continues to be highly fragmented. The large number of service providers doing successful local or

regional business, usually in niche positions, and with strong ties to local customers reflects this. Just like the logistics industry in general, European land transport is undergoing a consolidation process (Datamonitor, 2000). Mergers, acquisition and alliances result in a more dynamic market, which is a result of clients' demand of pan-European networks. During the last 10-20 years companies have re-engineered their supply chains and are now looking for logistic companies that can provide solutions across the whole of Europe or even globally. This means that while logistics used to be organized on a national or regional level in the past, for some companies it is now organized on a pan-European level.

On the European market Schenker and Danzas, are the two major actors. Both companies have a market share of 2,3% of the total European transport turnover (Erik Lenormand, Head of Market, Schenker AG).

2.2 Schenker AG

With net sales of 5,900 MSEK, 29,000 employees and 1,000 offices, Schenker is one of the world's leading integrated logistic service providers. Schenker, a subsidiary of Stinnes, offers land, sea and air transports as well as global logistics and Supply Chain Management solutions. They operate as a third party logistic company, with no own fleet of vehicles. Schenker has a network of transport providers in all business areas that together create a solid network of services.

2.3 Schenker Dedicated Services AB

Schenker Dedicated Services (SDS) is an independent sister-company of Schenker AG, one of the leading logistic and transport companies in the world. SDS strives to offer transport solutions for large international companies, which need can not be met in the general Schenker network. Their main objective is to find the most competitive transport solution for their clients. SDS offers a concept that is based on higher frequency, shorter lead-time, greater reliability and punctuality than a general transport network. Punctuality is achieved through careful consideration of the transport companies used and the importance of route planning in each individual case. For their existing customer, SKF, SDS provides European deliveries within 48 hours (M. Strand, SDS, 2001).

SDS operates with no own fleet of vehicles, instead they have sub-contractors that perform the actual transport for them. This makes it possible to find the best available alternative on the market for the customer, and as stated before,

this means that SDS is not bound to use hauliers, contracted to the Schenker Group. The purpose is that SDS shall offer every customer a unique customized solution in terms of transport and information flows. Qualified suppliers assure the transport reliability and punctuality. They offer a delivery time-window at the terminals with +/- 30 minutes.

A Traffic Control Center (TCC) located in Gothenburg controls the daily network operations within the customized network. This function supervises and plans the daily operations for the customer. The dedicated transport network offers a Track & Trace system that makes it possible to follow every package through the network. This track & Trace function is based on an EDI-system and is available for the customer on the Internet. Once the customized transport system is complemented and all activities are coordinated, the customer only has one contact person where all information is available. This traffic control service is offered from 7 a.m. to 9 p.m. just to give the customers the service needed if anything unplanned occurs.

2.3.1 Product Definition

Schenker Dedicated Services provides a tailor-made logistic network solution, using the Hub and Spoke principle to increase the frequency of transports. The whole service concept builds on three main flows: *the Physical flow, the Information flow and the Document flow*. Below, these three flows will be presented in a more detailed way to give the reader a better over-view. SKF will be used as a reference case throughout the product definition. This means that the product could look different when applied on other customers.

2.3.1.1 The Physical Flow

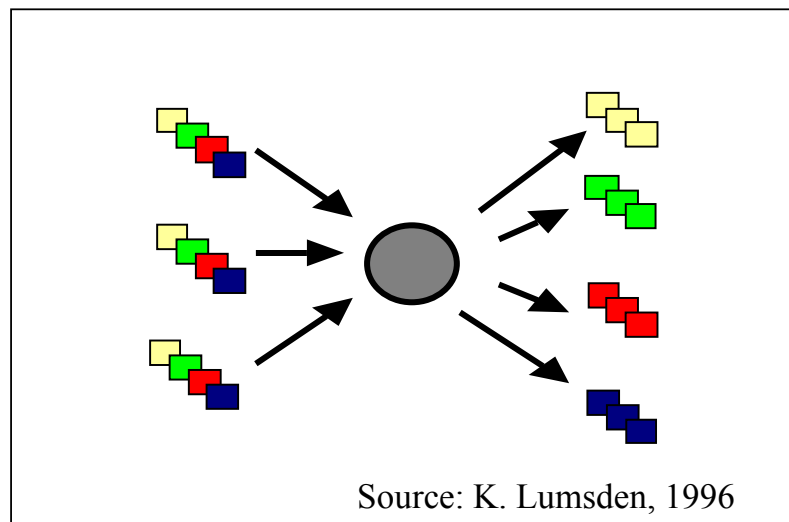
The physical flow is the actual movement of goods within the transport network.

Since SDS is not tied up to the Schenker Transport Network, they can negotiate with external carriers to meet competitive prices and at same time reach a high quality level. This allows SDS to find the optimal solution to meet the customers' requirements. Having a dedicated haulier makes it possible to arrange a timetable that fits the customers in the best way. Offering a flexible transport network makes it possible for SDS to match the customers demands on departure and arrival times which means that they are not tied up to time tables connected to shared consolidation hubs etc.

When offering a customer a dedicated transport service, it could be difficult to achieve economies of scale on the transports due to no consolidation possibilities with other customers. This means that the trucks sometimes are not fully loaded which results in missed opportunities of revenues for SDS.

The SDS transport network is based on the Hub & Spoke system that makes it possible to higher the frequency and the simplicity through the system. Håkansson et. al. (1993) claims that the Hub and Spoke system is a result from the shippers need of frequent deliveries and the need of creating a sufficient transport service. At the same time the haulier has the goal to optimize the utilization of the resources.

Figure 2: Hub & Spoke Principle



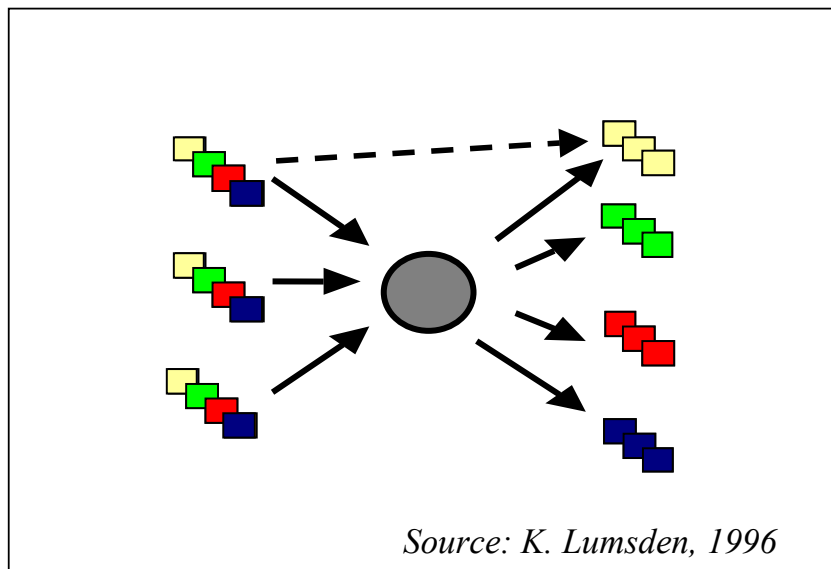
The Hub and Spoke system, that SDS offers, makes it possible to generate lower lead-times due to the reliability that the system offers, as well as higher frequencies of transports and flexibility when creating the time-tables. This makes it possible for the customer to lower their safety stock and inventory costs in general. The reliability off the system makes it unnecessary to have a big safety stock at different locations. At the same time they can cut down the regular inventory due to the more frequent deliveries. The reliability and higher frequency lower total inventories that in turn lower inventory costs and capital tied up in the products stored in warehouses. This gives SDS's customer competitive advantages towards the rest of the market (Lumsden, 1996).

The system also offers a kind of simplicity that makes it easier to operate and control. This is mainly a result of the factors mentioned below

- No consolidation with other customers
- Managed from one central point, which also means one contact destination for the customer
- Special treatment at international hubs
- Fully loaded trucks is transported directly to the final destination

To avoid costly and unnecessary direct transports, the forwarder uses a hub to consolidate the goods into new shipments based on geographical dispersion. At the hub the goods could also be sorted, stored, assembled or passed through any other value adding activity before it is once again loaded and transported to the final destination. One drawback with the Hub and Spoke system in the SDS's case is that some transports results in over transportation of the goods (Lumsden, 1996). Exception is whenever there is a full truckload with one destination SDS uses direct transport.

Figure 3: Hub and Spoke Principle with direct transports



SDS strives to be a non-asset-based organization, which means that they have chosen not to own trucks or other transport vehicles. This is due to the high investment cost, tied up capital, limited expansion possibilities and the lower level of responsibility.

Not owning their own fleet of vehicles makes it easier to quick expand into new markets when buying that service from existing forwarders on that market. This also makes it possible to quickly establish a well working transport network on that market without to much effort.

Hiring a forwarder makes it possible to push some of the responsibility downward in the chain. Important parameters like reliability, punctuality and the guaranteed delivery time-windows are important in order to satisfy the customers increasing demands for JIT deliveries.

2.3.1.2 The Information Flow

The information flow is the movement of the information within the transport network, such as reports, confirmations, invoices etc. Below a presentation of SDS' arrangement will be presented.

The new information technologies have made it possible for SDS to offer their customers new services related to the transport network. SDS has recently implemented a new information System, STAR II, which makes the information flow more controllable and simplifies the whole information process. STAR II is a customized billing and information system, developed in cooperation between SDS and a software supplier during the last year. The main purpose for the system is to:

- Receive/Collect EDI advice of goods from the shipper
- Receive goods status from International hubs
- Make pre-advice (planning) available for International hubs
- Advice domestic hubs of goods
- Supply Tracking of goods and trips to SKF
- Perform a cost distribution between SKF units

All goods shipped within the network are labeled with a bar code that consists of information about the specific products transported. This bar code contains information like departure/arrival destination, departure/arrival time and date, weight, package number, quantity, priority etc. Scanning the goods, when leaving and arriving at the different destinations within the network, makes it possible to control the goods and at the same time update the Track and Trace function. This feature of the system also increases the security of the goods transported.

There are four main groups using the STAR II system, all of which the need access to the information flow connected to SDS. These four are presented below.

- TCC
- International Hubs
- Customer
- Domestic Hubs/Distributors

TCC, Traffic Control Center at Schenker Dedicated Services (Gothenburg)

TCC use the system used mainly to configure and operate the total network. TCC are also using the system to verify the contents of the shipments and to later pass it on to the international hubs. This makes it easier to control the process on a higher level. With help from the system they can also administrate the cost distribution between the customers and the different actors throughout the network.

Another important parameter is that the system makes the whole service more efficient. This makes it is possible to lower the number of employees at TCC and at the same time offer the customers a higher service level. The new STAR II system gives the employees at TCC the possibility to work at other locations, e.g., to work and supply information from one of the international hubs on the continent.

The International Hubs (Gothenburg, Ede, Schweinfurt, Tours). They are mainly using the system to update the status of the goods, e.g., scanning of the goods, confirm delivery time at destination, goods specifications etc. The international hubs are also used to plan outbound relations, which means that they are planning all the transports out from the hub after the consolidation. Load lists for new shipments leaving the hubs are created with help from the system.

The Customer (in this case SKF). SKF who is both the shipper and the receiver in this case, uses the system to inform TCC about the shipping specifications. With the Track and Trace function they can also follow the products within the chain, to get more information of the products position in the flow, estimated arrival time etc. This simplifies the work at TCC, who do not have to respond to SKF's questions about the product information.

The system also makes it possible to handle all the cost distribution between the actors, which results in a more efficient handling of all the invoices, less paper work, and a reduction of human errors (K. Björklund, 2001).

The Domestic Hubs/Distributors. The domestic hubs/distributors will receive advice of inbound goods from TCC through the system. This makes it possible to start planning the distribution on an early stage. When receiving goods they scan the collies to update status changes in the system. The information flow is the movement of the information within the transport network, such as reports, confirmations, invoices etc. Below a presentation of SDS' arrangement will be presented.

2.3.1.3 The Document Flow

Even though SDS has implemented a new information system, there are still some documents that can't be handled in this system due to different international regulations. A specially developed envelope accompanies all transports within the SDS network. This envelope is attached to the shipment, and contains all documents needed throughout the transport. This envelope minimizes the risk for documents to disappear and also to facilitate the work at the international hubs.

On transports within the European Union it always follows a CMR (Convention relative au contract de transport international de marchandises par route), which is a carrier third party insurance. This insurance protects the carrier to that extent that the carrier is liable for the goods. On transports outside the European Union there are another two documents, in addition to the CMR, that have to be included. These are the necessary custom forms, and all invoices pertaining for the goods transported, (M. Kronberg, 2001).

2.3.2 Today's key factors used for guidance towards potential customers

To be able to narrow down the number of interesting companies some key factors must be fulfilled to be a potential customer. The geographical dispersion of the company's products that generates the transport need or the location of production facilities and warehouses must generate high volumes of transportation. Today there are no established guidelines as to what the minimum amount of goods and the geographical dispersion should be like. A guiding principle that the authors will use is that a company must generate an annual transport need that exceeds 100 MSEK. This guideline was a recommendation from SDS executives.

Concerning the geographical dispersions it is more difficult to have any guiding principles, the companies could have few production facilities and a number of warehouses or vice versa. These relations are not of great importance but the amount of transport work generated, is of importance.

Another factor that is related to the volume of goods is the frequency of the transports. Considering that every customer at SDS will have a tailor made transport network the customers must have a frequency that is enough to maintain the network. If a customer at present time doesn't have daily transport relations it might be because of the companies safety stock and warehouse policies. It is of great importance for SDS to offer a sustainable transport network with daily frequencies. Without the daily frequency it is difficult to run the hub and spoke system optimal (M Strand 2001). The frequency and the volumes are of importance when striving to achieve the scalability possibilities available.

The goods characteristic is another issue that SDS must take into consideration if a company is about to become a customer. According to M. Strand (2001) the goods value is often a good determinant to identify how much transport cost a product can manage. The higher value the products have the more important the logistic and transport activities involved are. The relation between transport time and the tied up capital is of course also of higher importance when the value of the goods is high. To minimize the time after the completion of a company products until it reaches the end user, often results in competitive advantages and lower the costs involved in the logistic activities such as warehousing etc. To be able to utilize the potential competitive advantages available the speed of the modes involved in the transport work is essential. This results in that most high value goods are transported with airplanes when necessary or shorter distances by trucks.

Goods that have a low value per kilo are often refereed as low value goods. This means that there is less effort in increasing the time and frequencies of the transports between production facilities or end users. Low value goods often use transport modes where speed is not the crucial thing, such as ships and railroad, but where the transport price is a more important determinant.

Considering the nature connected with the different goods types and the services offered by SDS, managers at SDS have reached the conclusion that they should focus on companies producing products with fairly high value. This is, because the service offered by SDS is a dedicated solution where the actual cost for transports might be higher then a traditional solution.

The possible savings available for the customers using SDS's solution is in the higher frequency, more reliable service and the possibility to lower stock levels etc.

Besides the "hard" values, such as goods value and geographical structure of the customer's network, SDS must focus on the "soft" values of the customer's Company. The soft values that are today believed to be of importance when entering a business relation for SDS are mainly logistical maturity. With this is meant how well the customer know the logistic area, what logistics can offer the company and its customers.

3. PROBLEM SPECIFICATION

In this chapter the authors will present the course of project action used throughout this thesis. A problem specification will also be presented for the reader where the authors describe and explain a new approach on the existing problem.

3.1 Course of Project action

To minimize the problem within SDS, the goal was to develop a tool that quicker could evaluate a potential customer. This to see if a potential customer lived up to today's picture of a future customer. Today's picture of a potential customer is based on vaguely defined parameters that are set up and developed by the different manager's experiences in this area. These characteristics include both hard and soft values. A tool, that is to be developed, would work as an evaluation or selection model. The result of a model like this should be to lower the lead-time, at start up phase, to make it possible to quicker tie up potential customers to the company.

The authors were asked to study this problem and to come with suggestions of how to solve this for SDS. To understand the problem, the authors had to dedicate some time to define the real problem within the company and find influencing factors (see problem statement Chapter 1).

The authors started to problemize the current situation and begun to analyze the company, what they did, how they did it and became familiar with the company's mission, vision and goals. This was done through continues interviews with the personal at SDS. Further on, a description was made of the product offered to get a clear picture and grip of what service the organization actually offered. A more thorough litterateur research within the area of evaluation models and selection tools was made to get more understanding of these kinds of methods.

The authors decided to perform external interviews with key persons at larger companies. In get more insight and knowledge about the buying behavior of these kinds of services. The goal was to interview companies of various sizes but with the right transport arrangement idea, e.g., to get as close match as possible to be a potential customer to SDS. These interviews were very objective and the goal was that we were not to be seen as sales persons for SDS. The research gave a wide range of information that could be analyzed. The feedback from the interviews resulted in valuable output, due to the specific, knowledgeable and person related information this resulted in.

Doing these interviews gave the authors a good perspective of how well known these kinds of services are that SDS offers. This phase gave good and trustworthy primary data for the analysis phase of the project.

When thorough research was made regarding how both the selling and buying parties were acting, the authors now focused on what channels were used today to bring SDS closer to the potential customer. Identifying today's market channels showed that there was only one existing channel operating, Tender Management.

After defining this marketing channel, the authors interviewed personnel of relevance working within this channel. What the authors sought, was to find out how the communication process worked and what knowledge and experience the market channel had concerning SDS. This resulted in the identification of a new problem, that there is a communication gap between SDS and its marketing channel.

After research and conclusions regarding the marketing channels used today, the buying behavior of transport and logistic activities were identified through external interviews. This in correlation with the complexity of the service offered by SDS the authors started to question if the right solution was to develop a tool to evaluate new potential customers.

3.2 Problem Specification

What the authors thought was that the reason for developing a tool was a result of unsolved problems regarding SDS's internal and external positioning. This in combination of focusing on wrong customer characteristics and dedication of scarce resources didn't increase the possibilities for SDS to gain new customers.

During interviews within the Schenker organization, the authors experienced and realized that the general internal communication didn't work satisfactorily. The authors believe that the internal communication is of great importance for SDS and is a key factor for finding new customers. The external interviews conducted gave insights in different buying behaviors at the companies, and also how hard it is to sell a complex product as SDS's to an external customer.

These insights were the foundation for the authors to reach the conclusion, to find ways for SDS to strengthen their base of customers was not to develop a tool. The authors thought that the best solution to assist SDS regarding the purpose of the project was to take one step back from the organization, and then take a look at what the actual problem was.

The result of the author's problem analysis phase resulted in changes that had impact for the future research work connected with this thesis. The authors were determined that the change of project action was necessary, and was for the best for SDS.

The original problem is of course the same it is just a change of how to present the best way of attacking the problem. The original problem statement is stated below:

How can SDS increase their customer base, and how can this be done quicker and with less financial resources?

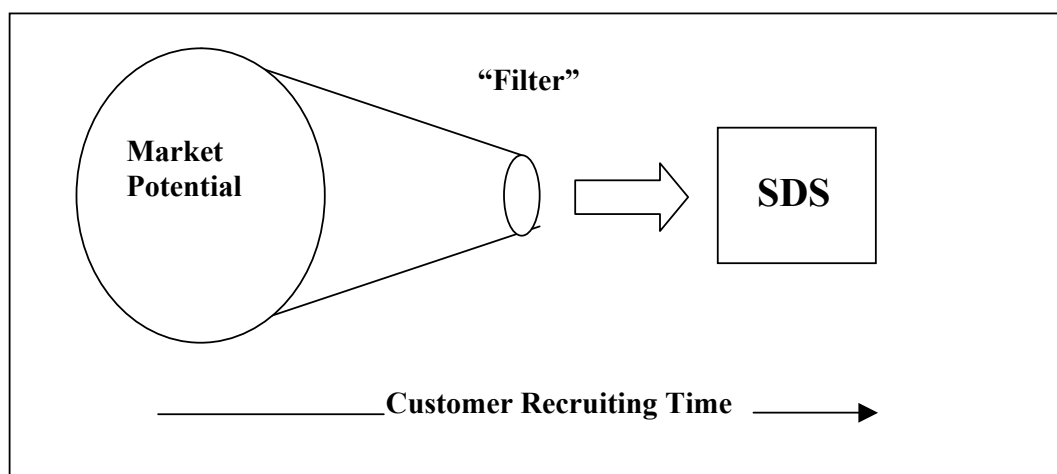
The problem statement was divided into the following sub-problems:

- ✓ *What customer characteristics must be fulfilled to be potential for SDS?*
- ✓ *How should SDS position and segment their service towards the market?*
- ✓ *Which are the optimal market channels to work up, to achieve the best outcome of the recruiting process?*

With this altered approach to the problem statement, the authors believe that the positive outcome for SDS will be achieved through fewer efforts and available resources can be used in a more efficient way.

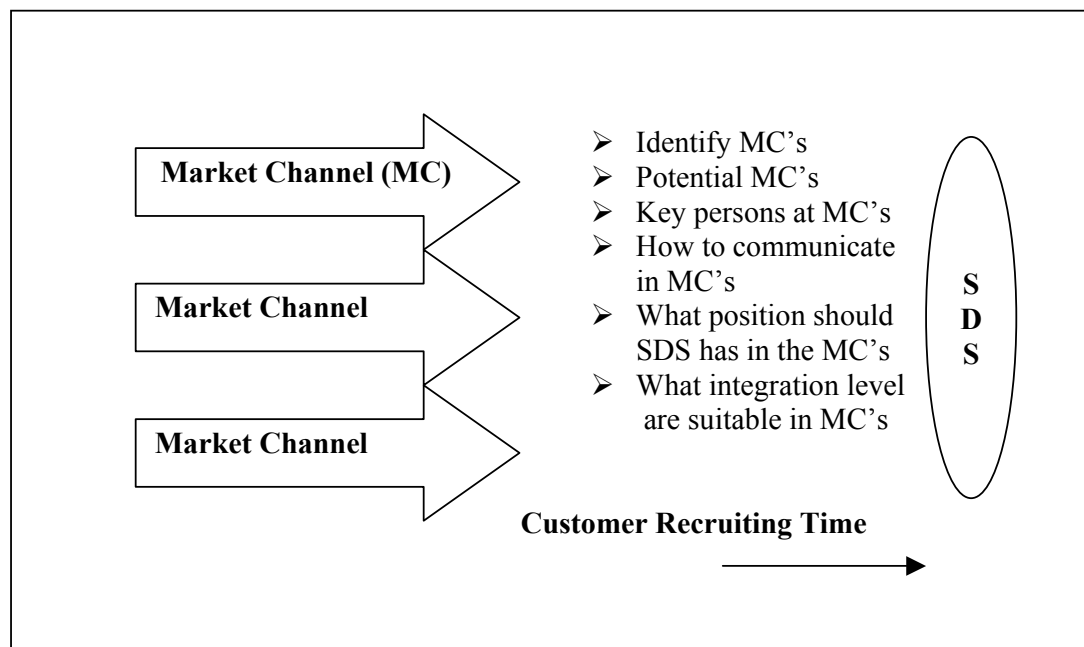
The authors have produced two figures to visualize the reasons that contribute to the shift in the course of project action. The figure below shows how the authors identify today's situation and what the original purpose for the evaluation tool. The next figure explains what the authors believe is a better way to approach the problem.

Figure 4: Wanted SDS Tool



The purpose of the figure above is also to visualize today's market channels and how they work in relation to SDS. The purpose of the tool, that was supposed to be developed from the beginning, would work as a filter between the potential customers and SDS. This would result in that all companies with a transport need on today's market could be a potential SDS customer, and make it all the way to the situation where SDS have too dedicate resources to thoroughly analyze the company, with this specific tool that would work as this filter. This will take important time and efforts from personnel at SDS. This is because a lot of companies that actually are not potential customers for SDS have to be analyzed.

Figure 5: New course of Action



The figure above illustrates the ideas of how the authors will approach the problems underlying this thesis. Why should all companies with extensive transport need to be a potential customer to SDS? Would it not be possible to a make the selection at an earlier stage so that not all customers, except the potential ones, would come in contact with SDS? How can a pull situation be created for the service?

3.3 Specified Project Delimitation's

The new project action chosen by the authors has resulted in some changes, in proper delimitation of this thesis.

- Due to different circumstances and people that could be affected by the changes, the authors will not explore the area of organizational structure and changes. This means who should have mandate and authority over who etc?
- The thesis will work as guidelines for the executives at SDS and not describe specific solutions.
- Only the most important theories connected to SDS's problem will be presented and analyzed due to the time frame of the project. So instead of doing an entire market strategy for SDS, the most important ones are analyzed.

4. METHODOLOGY

An academic thesis is a scientific work. What separates science from daily knowledge and investigations are that the scientific characteristics, methods and reliability are systematically examined. In this chapter the authors will present what research design, research approach and data collection method that is used in this project. Finally the chapter is completed with a reliability discussion.

4.1 Research Design

A research design is actually a framework for a study that is used to guide the researcher when collecting and analyzing the data. There are different types of research designs that can be used depending on the situation. The choice of a suitable research design is determined by the information needed.

Lundahl & Skärvad (1992) state that the different research methods can be classified according to information sources and methods for data collection, the research framework, its purpose and scope, time consumption or the research's type of data. According to the research purpose, the research design can have different character: Explorative, Descriptive or Causal character. Below these three fundamental objectives will be presented.

4.1.1 Exploratory Design

The major emphasis in exploratory research is in the discovery of ideas and insights. Lundahl & Skärvad (1992) state that explorative research is sometimes referred to as preparatory, explorative and examining research methods. The exploratory research is particularly helpful in breaking wide and unclear problem statements into smaller, more precise sub problem statements. Churchill G (1995) claims that exploratory research is appropriate to any problem about which little is known. Exploratory research then becomes the foundation for a good study.

Doing an exploratory research, different instruments can be used. Main instruments used are interviews with expert people, literature search and conduction of focus groups. The most important characteristic of the exploratory research is its flexibility. Patel & Davidson (1994) claims that the exploratory research is an "elastic research" due to its ability to adapt to the results and knowledge that is achieved during the research period. Since the researcher knows little about the problem, they must follow their intuition about possible areas to investigate.

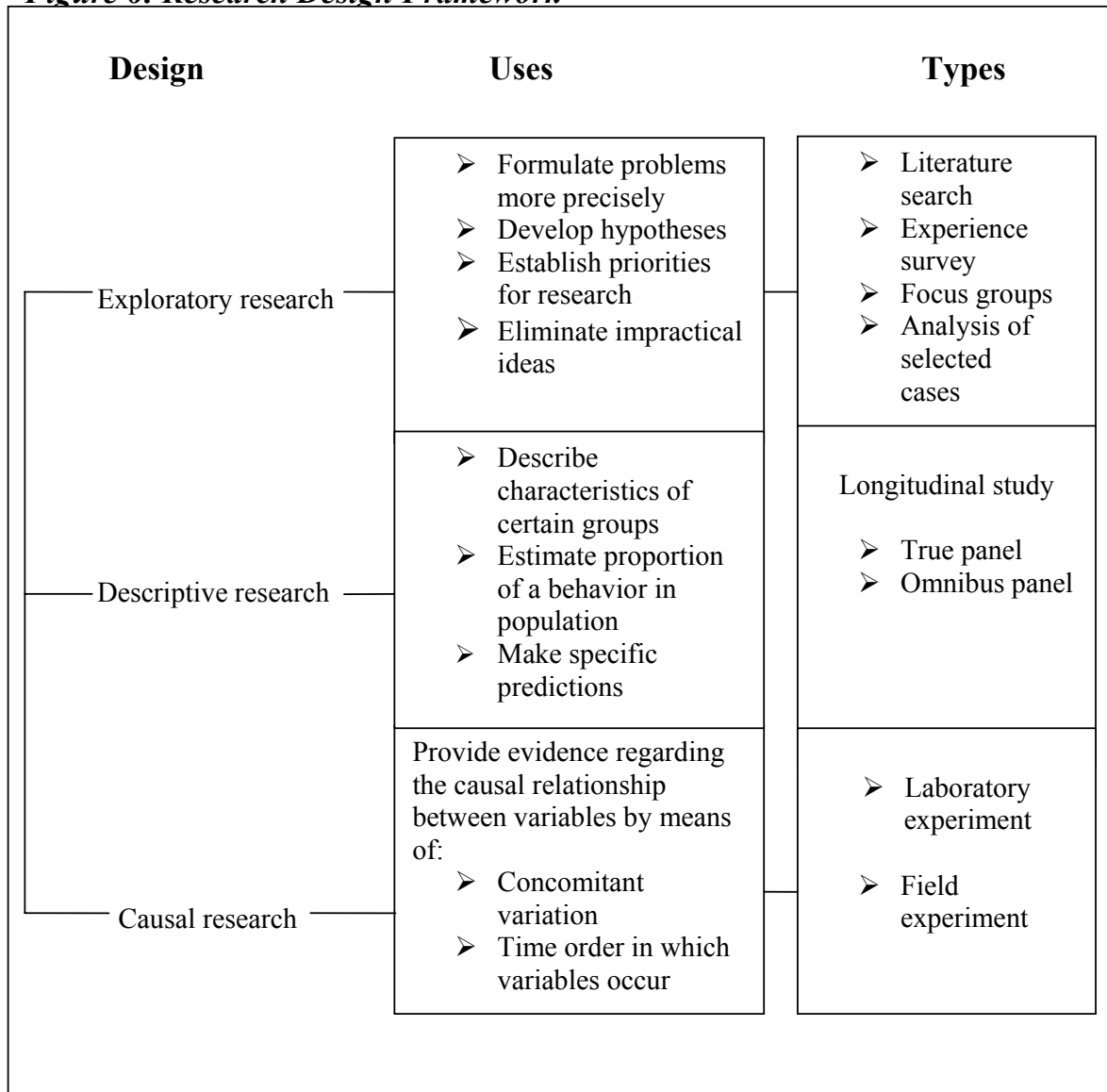
4.1.2 Descriptive design

Descriptive studies are anything but flexible. Rather, they are rigid in requiring a precise specification of the who's, what, when, where, why and how of the research. Descriptive studies rest on one or more specific hypotheses. They are recommended to use when the research is intended to describe the characteristics of certain groups, to estimate the proportion of people who behave in a certain way, or to make predictions (Churchill G. 1995).

4.1.3 Causal design

A casual approach measures the relation between different events. This approach is used when the researcher seeks evidence for a certain cause-and-effects relationships. Causal studies typically take the form of experiments.

Below a summary of these three research designs will be presented in a figure to give a better over-view to the reader.

Figure 6: Research Design Framework

4.1.4 Research design used in this project

When choosing models for a research study it is important to consider if they suit the purpose of the research area. Any model might be appropriate to use when first looking at its characteristics, but does the model present the result and answers that are needed to suit the research. The models never present more than a basis of answers, to fully take advantage of a model the users needs to have a sound judgement, intuition, experience etc (Gummesson 1982).

It is also important to remember that the outcome of any model is never better than the data input (A. Jensen, 2000) In this thesis where the authors will investigate a broad area of subjects, the exploratory research design has been chosen. This design is used due to the possibilities for the authors discovering new ideas and insights within this area. The authors believe that the model chosen will strengthen the outcome of the research efforts and thesis results.

4.2 Research approach

Patel & Davidson (1994) claim that scientific research consists of two important approaches of how to achieve scientific work: positivism and hermeneutics.

The basic scientific outlook differs between an exploratory knowledge and an understanding one. However, the borderline between the two approaches is very often diffused. Below an explanation of the two research approaches is found. In addition to this Action Research and its characteristics will also be presented to the reader.

4.2.1 Positivism

This is a homogenous thought, which denies every fundamental difference between natural and social science. The positivists assume that successful methods in classic nature science, is also applicable in social scientific research (Arbnor & Bjerke, 1994). Positivism argues that the science can and should neglect ethic and moral questions. The researcher shall strive to be as objective as possible and stand in an outer relation to the object that is investigated.

4.2.2 Hermeneutics

Patel & Davidson (1994) claims that hermeneutics on the other hand criticizes the positivistic thinking, that all science should neglect ethics and moral questions and claims that there are no unchangeable rules for human behavior. The researcher must include more subjective values in the study. The hermeneutics research method tries to study, understand and interpret the phenomenon that is investigated. The researcher tries to reach a comprehensive view of the research problem and therefore parameters such as thoughts, feelings, impression and knowledge important factors within the research work.

4.2.3 Action research

Instead of focusing the research on pure facts the researcher can take a more active role in the research, and try to change unsatisfied relations. This is called action research. According to Clark (1972) action research always has as a goal to solve problems and to increase the scientific knowledge. This means that the researchers must live up to the employer's demands and at the same time contribute with a scientific work. The knowledge that this research method contributes with is a way to understand the entirety. The goal with action research is that the involved person should learn from each other and develop through the project work.

4.2.4 Research Approach used in this Project

Throughout this thesis different approaches have been used depending on the stage at which the researchers have been in their research effort.

It is hard to present some kind of approach used in this project, due to different circumstances. First the authors were asked to look as objectively as possible at the problem, and focus on finding the answers through external interviews with different companies. But this was shown to be very difficult due to the complexity of the problem.

The deeper the research went it became impossible to stay objective to the problem, since the authors focused the research more on internal factors and situations. This resulted in that a more action reflected research approach was conducted.

The action research approach was to gain as much information about the problem as possible, also to receive different information needed. The authors began spending a lot of time at the Company to receive this information.

Spending a lot of time at the Company also gave the opportunity to meet different people, in different situations that gave a lot of interesting information and feedback.

To summarize the approach used, a positivistic view was conducted in the beginning that later merged into an action research approach. The authors have tried to stay as objective as possible but sometimes a need for a more aggressive role was a must. This to be able to get the data input needed to complete this thesis.

4.3 Data collection method

Depending on the research perspective and strategy chosen, the researcher must choose methods for collecting data. The data or information collected by the researcher can be either primary or secondary data. The information can also be either qualitative or quantitative.

4.3.1 Primary data

The researcher usually collects primary data for a specific research purpose, this mainly through interviews, surveys, or observations. Interviews can be used in many different kinds of studies and can therefore be used with different purposes and in several different ways. In each study one must identify which kind of interview to perform, which persons to interview, which technique to use and how to analyze the information.

Interviews can be more or less standardized. Highly standardized interviews have exactly formulated questions set in a specific order to be used in the same way in each interview. The non-standardized interviews are more flexible and the question can be formulated in different ways for each interview. The point is to receive answers that provide all the information needed. Non-standardized interviews are more suitable for collecting “soft” or more qualitative data, for example how people judge a situation (Lundahl & Skärvad, 1999).

Besides the level of standardization one can also talk about the interview process being structured or free. In the structured interview the interviewer has set up the purpose with the interview in advance, the questions have been formulated in order to systematically go through the area of interest, and the interview is information focused. The free interview has a broader purpose and is not only information focused but also person oriented. It aims to find the respondent's evaluations, attitudes and opinions as well as pure facts. The response format can also be more or less structured, varying from multiple-choice questions to open-ended questions (Lundahl & Skärvad, 1999).

The advantage with interviews is that they can be performed rather quickly, allow for complicated questions, and provide an opportunity to follow up questions. The largest disadvantage is that interviews are not good for sensitive questions, and that the interviewer can unduly influence the interview (Wiedersheim-Paul & Eriksson, 1997).

4.3.2 Secondary data

Secondary data is data that has been collected and used for other purposes than the specific study, and has been documented in some form e.g. books, annual reports, protocols, and Internet documents. Since secondary data is easy and fairly inexpensive to collect it is often used at the beginning of a research, in order to provide a basic understanding of the problem at hand. Sometimes secondary data is the only available information, however, one must always make sure that the information used is valid, reliable, and relevant to the study and its purpose (Lundahl & Skärvad, 1999).

The researcher must critically view all documents used, especially in regard to source, originator, reasons for writing the document, and the circumstances in which they were made. Secondary data should be used when it gives better, or more, or cheaper information than primary data. An advantage with secondary data is its stability, since the researcher cannot influence the material, i.e. it is objective. It is especially good for qualitative case studies since it can give the study an empirical background for the problem being studied (Merriam, 1988)

4.3.3 Data Method used in this project

Since secondary data is fairly easy and inexpensive to collect the study started by using these secondary sources, i.e. books and articles, to get an overview of the subject area and to get ideas on how to perform a study like this. It also included internal documents provided by SDS that was thoroughly studied to gain deep knowledge about the company.

The theoretical material studied includes books, research studies, articles, and these by many different authors, have resulted in that one line of reasoning have not been followed.

Non-standardized interviews were conducted to collect primary and more qualitative data and to be able to get more understandings of the “soft values”. The free interview process focused on finding the respondent’s evaluations, attitudes and opinions as well as pure facts. The authors believed that standardized question would not lead to the optimal result due to the difference between the persons interviewed such as company size, position within the company, etc.

4.4 Reliability Discussion

A thesis's reliability depends on a variety of factors, below some vital factors that influence the reliability are presented. All data collected must be questioned how suitable it is for the research. When evaluating the trustworthiness of primary data the researchers must consider the interviewed persons, their position and reason for participating in the research.

4.4.1 Measurements errors

Measurements errors occur when information received from an interview do not agree with the real situation. According to Lundahl & Skärvad (1992) these errors can result of:

- *Respondent error*
- *Instrument error*
- *Interview effects*

To minimize *respondent errors*, the information collected from the different interviews will continuously be compared with each other. If a group is carrying out the research, discussions should take place continuously to control and compare the different respondent in-puts with each other.

Instrument errors can occur due to wrongly formulated question, e.g. when the questions aren't put literally but used as a frame during the interview. This can be taken care of through a reformulation of the question or through sub-questions that can indicate if the question was wrongly formulated.

Interview effects can be minimized through e.g. that the interview takes place in the respondent's daily working environment. When the interview situation feels natural, the possibility of a positive outcome and higher trustworthiness will increase.

4.4.2 Reliability and Validity

These two important parameters are crucial to the final outcome of any research result. Some special aspects must be considered in the research techniques that are used. Measurements, parameters, measurements tool, test and research methods must be reliable and valid to be useful and adequate. If these demands are not fulfilled the research result have no scientific value, Ejvegård (1996).

Reliability implies the question of whether the measurement parameters are affected by different circumstances and validity implies the question if we measure the parameters we want to measure. According to Patel & Davidson (1994) there are mainly three rules that should be considered:

“High reliability is no guarantee for high validity.” Even if the measurement is correct doesn’t mean that the right object is examined.

“Low reliability results in low validity.” If the measurement has a low reliability are even the research inferior.

“Complete reliability is a condition for a complete validity.” To understand what is investigated the research has to be reliable.

4.4.2.1 Reliability

Reliability means that the results of a study should be reliable. If nothing changes in a population, two investigations with the same purpose and the same methods should generate the same results (Svenning, 1996).

Churchill (1995) states that the reliability describes the trustworthiness of the results, which means that the measurements are correctly done, i.e. to what extent the research is spared from errors. Kinnear and Taylor (1996) assert that there are several factors that influence the reliability in a study, e.g. if the respondent are tired, stressed or unmotivated.

4.4.2.2 Validity

The validity of a study depends on how well the researcher actually measure, what really are supposed to be measured i.e. to what extend the research is independent from selection errors.

Validity is according to Lundahl & Skärvad (1992) defined as the absence of the systematic measure failures. It can be said that validity bare upon the capability of different methods to give solutions that fulfill the purposes that exist. When a high validity is accomplished, the agreement is high between what is measured and what was supposed to be measured. Validity can be divided into to two sections, the internal and external validity.

The internal validity is good when the measurement instruments (e.g. interviews) used in the research, measure what is supposed to be measured. It can be seen as an agreement between the model's conceptions and the measurable definitions of them. It is hard to get a perfect inner validity, but it is important to be aware of how well the chosen measure instruments are working.

The external validity can be defined by the agreements between the achieved measurement and the reality. It can also be seen as an agreement between a specific measure, e.g. an answer from an interview and its conditions that were being evaluated.

Using interviews of non-standardized character when gathering information, there will always be a risk that the validity of the research doesn't live up to the expectations.

4.4.2.3 Source Criticism

The purpose of source criticism is to determine if the source measures what it is supposed to measure, *i.e., if the source is valid*, and if the source is of relevance for the research area, *i.e., if the source is of relevance*, and if the source is free from systematic measurement errors, *i.e. how reliable the source is* (Eriksson, Wiedersheim-Paul 1997). These three guidelines help to achieve a higher credibility on the research result. Thus to classify the sources used in a research effort. To critically question the use of all sources should result in that the sources are subjectively viewed regarding relevance, validity and reliability.

It is important to remember the source criticisms when relaying on interviews of non-standardized character when gathering information. There will always be a risk that the validity of the research doesn't live up to the expectations. In the research this is avoided through clear questions, using no influencing words and leading questions. There is also a risk that the interviewed persons are answering the questions in a way they believe they should, and in some cases also what they believe is best for the company.

During the interview process both internal and external persons have been interviewed. These persons have been chosen cause of their high knowledge within the analyzed branch. The interviews proceeded have taken place at the "home environment" of the interviewed person, which in combination with their high knowledge within this field, have contributed to high reliability of data output.

Regarding the complexity of the service offered by SDS, it should always be a strategic decision for the customer. This means that the data input is very dependent of the interviewed person's position within the different companies. Jensen (2001) states that the result is never better than the data input. The interview process has mainly consisted of persons that possess this strategic and tactical position. This increases the reliability due to the fact that they do not have to guess to find an answer to the questions asked.

Literature used in this project as secondary data input has been, books, articles, lecture material etc. The majority of this material is very overall data, meaning that many different areas have been covered with these theories. This means that data used is not specifically developed to adapt to this purpose, which in turn can lower the reliability of the different theories used.

5. RESEARCH STUDIES

In this chapter vital theories used in this thesis will be presented. These theories will work as a foundation throughout the thesis. This will strengthen our research outcome and analysis chapter. This chapter is divided into Litterateur Studies that will present the secondary data and Empirical Studies that will present the primary data received throughout the thesis work.

The expressions hard and soft values are used to summarize and simplify broad topics. What the authors include in these expressions will be presented below:

Hard values: Customer characteristics that are of quantitative nature, for example transport volume, transport distance and number of production facilities etc.

Soft values: Customer characteristics that are of more qualitative nature, such as logistic maturity, willingness to partner, share risks and information etc.

5.1 Literature Studies

To gain knowledge in topics and areas that the authors investigated during the work with the thesis, literature studies were conducted continually. Considering the magnitude of the problem, the authors had to cover a wide array of topics to fully understand and solve the problem at hand.

5.1.1 Selection Model

By presenting theories the authors will in this section highlight the importance for a company to find the right customers through various selection approaches such as segmentation, targeting and positioning of the company and its services. To make a service or product available to the end user, the market first needs to be **Segmented**, then a single segment or series of segments must be **Targeted**, and finally a company must **Position** their offer within the segment or segments.

A selection procedure is an essential phase for any company that seeks to expand market shares or number of customers. This procedure gives the company a framework in which the potential customers exist. The framework can act as a tool for a preliminary evaluation of customers.

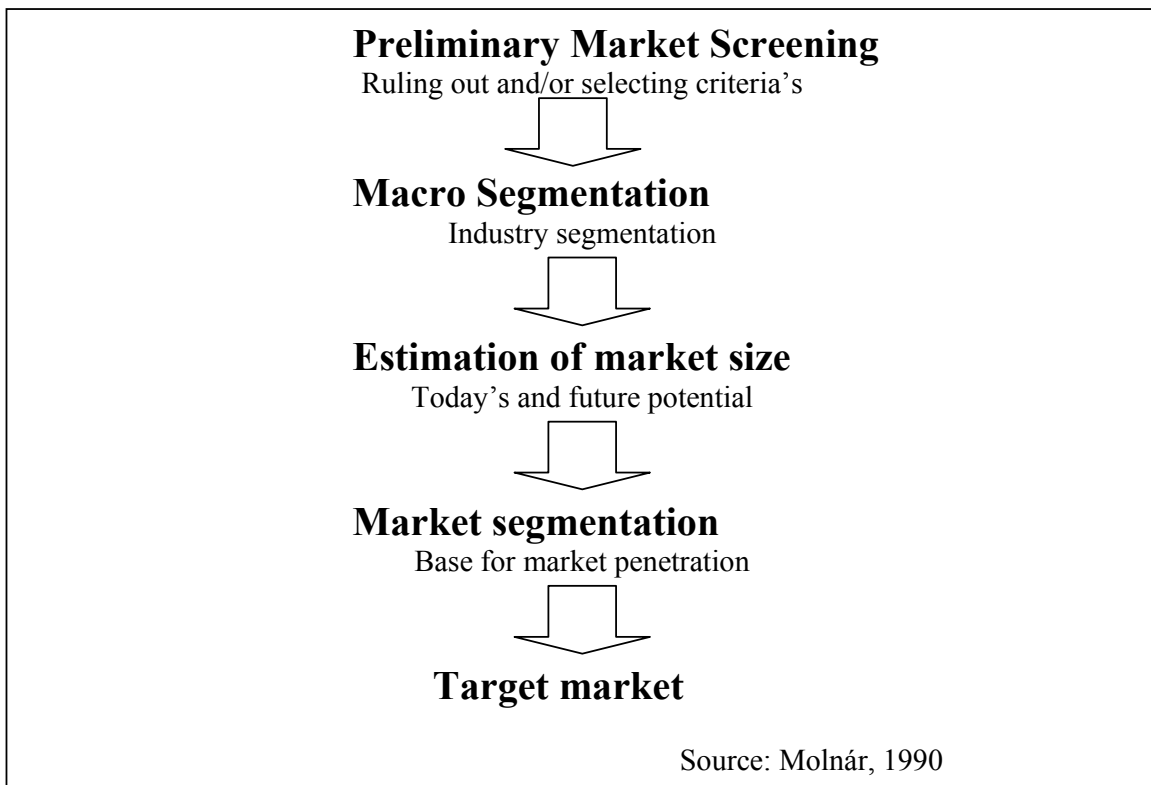
To have the possibility to become a competitive actor on today's markets every company must have a clear definition on what kind of customers or companies that have a demand for the product or service offered.

Every company that offers a service or product to others must identify and earn knowledge about which customers will match to the service or product offered. How to identify the right customers is exclusive for all companies, the whole world is a potential market at first until criteria's are set up to narrow down the number of potentials.

5.1.1.1 The Four-Step Market Model

International marketing, by Molnár, J & Nilsson Molnár M, (1999), present a four-step model that result in a target market for companies. Below an elaborated model of Molnár's Four-step market selection model will be presented and thoroughly described. This is done due to the adaptability when SDS is exploring new potential customer.

Figure 7: Elaboration of Molnár's Four-Step Market Selection Model



The Preliminary Market Screening step:

These criteria are unique for each company, and work as a preliminary market screening process. Molnár, J & Nilsson Molnár M, (1999) has divided the preliminary market screening process in two ways: Ruling out procedure and Selection procedure.

The ruling out procedure is based on that markets that do not fulfill set up criteria are ruled out. Commons ruling out criteria's are economical, political, legal, geographical and technical. If the market on some of the above-mentioned factors fails or is inadequate, the market is ruled out. Ruling out is a "negative type" of market selection, meaning that from a potential group of markets the less important will be ruled out in such a way that the best markets will be left for further investigation, Molnár, J & Nilsson Molnár M (1999).

The selection procedure is based on that the company set up relevant and specific criteria that must be fulfilled. These criteria vary from company to company but are generally set on an overall level. It requires good knowledge concerning the Company to set the criteria's that should be used in selection criteria procedure. The market selection procedure can be used both for consumer products and industrial products, but it is considered to be more suitable for industrial products. The reason is that users of industrial products are normally fewer than users of consumer products, Molnár J and Nilsson Molnár, 1999.

A correlated use of both methods result in that a company should continue to investigate the markets that are remaining after both the ruling out and selection procedure.

The Macro segmentation step

This step implies that the markets chosen during the first step are segmented on generally levels. The markets are segmented into different business areas or other sub-groupings that are suitable. The macro segmentation is done in preliminary purpose to ease and increase the outcome of the next step.

Market size estimations

The selected markets can be divided and graded upon market's size and demand. The criteria's' set up by the investigating company is more specific in this phase to result in more exact outcome. To estimate the market potential and market demand and the actual demand from the existing companies at the market investigated is not easy.

The market potential – users of the service or products at presents time and their future potential.

The market demand – the actual sale of all actors at the market offering the same or similar service or product.

Company demand – total demand for the investigation company at the market.

For the investigating company, information and records that accurately describes the present situation is often available through public or business statistics. To find reliable information that reveals what the future demand results in is the difficult part.

Molnár J & Nilsson Molnár (1999) presents a two-way strategy to gather more reliable data concerning estimations of future demand. These are country and demand related criteria. The country related criteria's are factors that could restrain the markets potential, such as different trade barriers for example customs quotations or current monopolistic situations.

Demand related criteria focus on the potential market size and market shares for the product or service. The more detailed the measurement techniques are and the measurability of the market, the more accurate the data will be.

5.1.1.2 Segmentation

The fourth step in the Molnár J & Nilsson Molnár model attends the segmentation process of potential markets.

Segmentation is essentially the identification of subsets of buyers within a market who share similar characteristics. A market segment is composed of a group of current and potential customers who share common characteristics, needs, purchasing behavior, or consumption patterns identified through the prior steps of the model. Effective segmentations should group companies into segments in ways that result in as much similarity as possible on the relevant characteristics within each segment.

In Services Marketing, Lovelock C. (2001) describes two broad categories of variables that are useful in describing the differences between segments. First, **User characteristics**, and the second, **Usage behavior**.

User characteristics reflect the customers' differences in geographical location and psychographics such as the opinions of decision-makers and users. A more

up to date characteristic that receives more focus today is the technology maturity, which groups' potential customers after their willingness and ability to use the latest technology used at the market.

Usage behavior relates to how a product or service is purchased, delivered, and used by customers. Variables that identify these factors are how the buying process is managed and what quantities are purchased. What level of service quality is preferred and required to meet the usage behavior of the customer?

According to Molnár J & Nilsson Molnár (1999) the segmentation criteria differ if the product or service is supposed to serve a consumer market, industrial market or an organizational market. Independently of what segment supposed to serve the segmentation criteria must be measurable. If the criteria are measurable then it is possible to obtain realistic data to consider its potential and the segment must be accessible and possible to profit from.

Johnson G and Scholes K (1999) divide the bases of market segments for industrial markets in classification of buyers. To divide a segment only after which branch they operate in, is often not enough, to find what differentiates the actors within each segment for example the following areas can be measured:

Table 1: Organizational Characteristics

TYPE OF FACTOR	INDUSTRIAL ORGANIZATIONS
Characteristics of organizations	Industry Location Size Technology Profitability Management
Purchase situation	Application Importance of purchase Volume Frequency of purchase Purchasing procedure Choice criteria Distribution channel
Preferences for service Characteristics	Performance requirements Assistance for suppliers Brand preferences Desired features Quality Service requirements

Source: Johnson G and Scholes K (1999)

According to Lovelock C. (2001), when a service company is exploring markets to find suitable and flourishing segments it is important, to focus on value and not just the number of customers. To find customers that are frequent purchasers and have the potential to increase their need for the service offered instead of occasional buyers is preferable.

After identifying and evaluating different segments the company should choose one or more segments as their **target markets**. The target markets should fit and match into the companies' capabilities and goals.

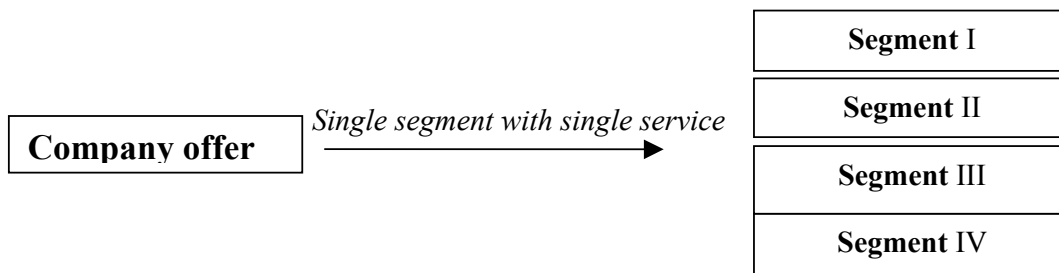
5.1.1.3 Targeting

Targeting is seen as the second phase of the segment, target and positioning process. After the market has been separated into its segments, the companies should chose a segment or a few segments and target it/ them. A company should target segments in which it has a differential advantage over its

competitors, where it can generate the greatest customer value and sustain it over time. A company with limited resources should also focus on and dedicate resources to identify through what channels they easiest can establish customer contacts in each chosen segment. The size of the company and its resources are determinations of how many of the identified segments it is possible to penetrate the market. A large company might decide to offer a complete range of services to meet all market segments requirements. But if there are constraints of resources its preferable to chose fewer segments to start with according to Kotler, (2001).

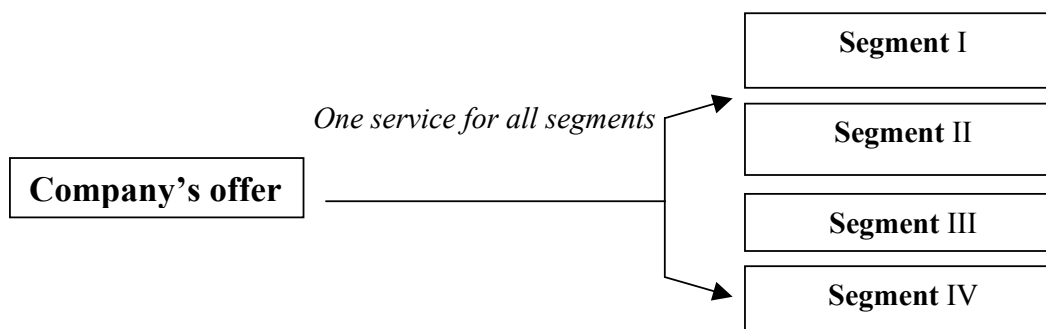
The authors have chosen to present three different ways to target different segments commonly used. The first is the single segment with the single product. In other words, the company targets a single service offer at a single segment in a market with many segments. This targeting approach is used when the single segment requires dedicated treatment.

Figure 8: Single segment with single service



Secondly a company could ignore the differences in the segments, and choose to aim at a single service in all segments i.e. the whole market. This is typical in mass marketing or where differentiation is less important than cost. An example could be parcel services where all customers are treated with little or no differences.

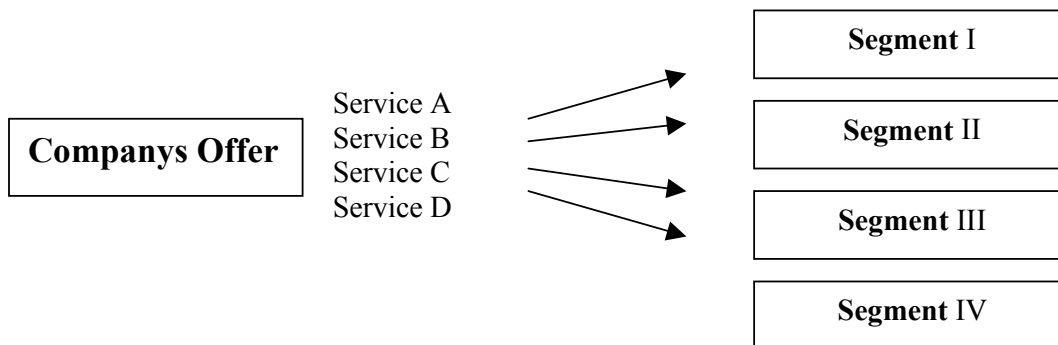
Figure 9: One Service for all Segments



Third and finally, there is a multi segment approach. This is when the company will target a variety of different segments with a series of differentiated services.

Below is a well-known approach used in for example the motor industry, where the actors try to meet every segment's demand with a broad variety of products and services. Another example is in the consumer goods industry where companies must respond quickly to fluctuations in taste and trends among their consumers.

Figure 10: Tailor made offers for different segments



5.1.1.4 Position

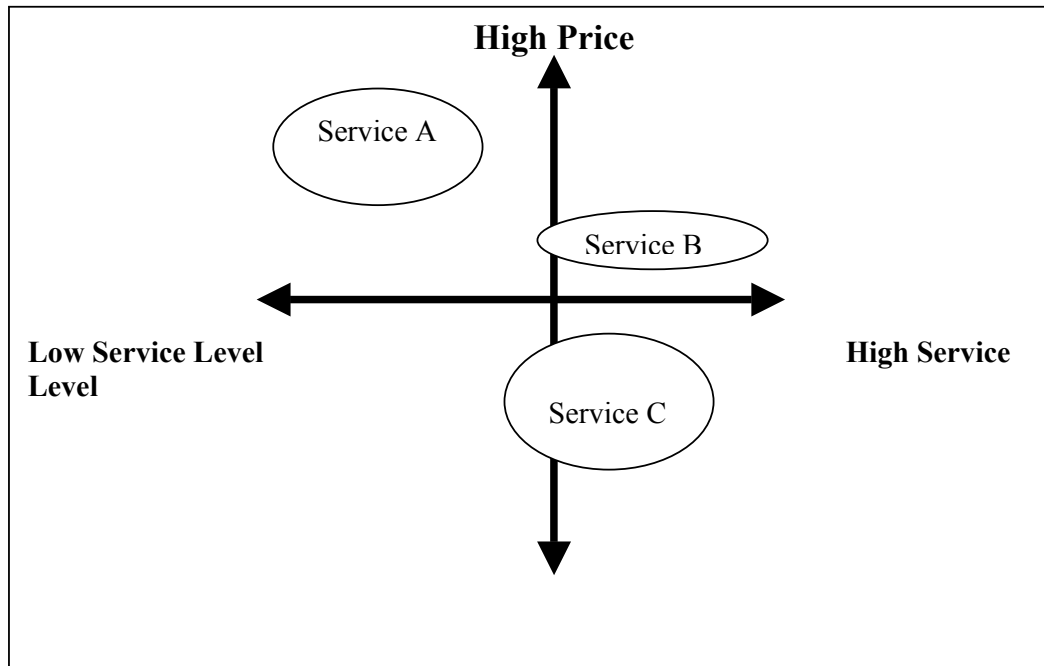
When a company has chosen what segments are of interest on the market and how to target them, the next step is to establish the company in relation to other actors operating in that segment at the market. This process is referred to as positioning.

What position is suitable for a service or product depends on the nature of the service or product in correlation to the company's strategy. Factors that determine the nature are for example, quality and price of the service in compared to existing services.

According to Iacobucci D, (2000), a common mistake with positioning is to distinguish the service or product with something unique but totally of no interest to the customer. Another mistake mentioned is the risk if a service is promoted with a lot of its benefits, with the belief in that it will at least catch the attention of someone. The positioning criteria must be of interest for the customer and be easily to identify for the customer.

An example of a simple position map of various services are presented below:

Figure 11: Market Position Map



In positioning its service, the company first identifies possible competitive advantages upon which to build the position. To gain competitive advantages, the company must offer greater value to chosen target segments, either by charging lower prices than competitors or by offering more quality benefits to justify a higher price. The market positioning should give the service or product a clear and distinctive and desirable place in the minds of the targeted customers. When the company has establish knowledge among customers it is possible to build up a brand identity.

5.1.2 Building Successful Partnerships

This section will not only look at some general success factors and the benefits of partnering, but also the hazards and risks of partnering will be presented. The chapter is based on a model that will present reasons to partner, factors that enhance partnerships and activities and processes that build and sustain partnerships. But first of all the reader will be given a short introduction what a partnership actually is.

5.1.2.1 Partnership

Relationships within logistics are often formed between a producing company and a third or fourth part logistic company. Failures of these partnerships are expensive in terms both the direct costs of implementing and managing the partnership as well as the lost of opportunity to devote resources to a more successful relationship. But it is the positive outcome of these kinds of partnerships that has contributed to their popularity.

The authors define a partnership as:

A partnership is a business relation based upon openness, trust, two-way communication, shared risks and rewards which outcome is greater then if the involved would have achieved themselves.

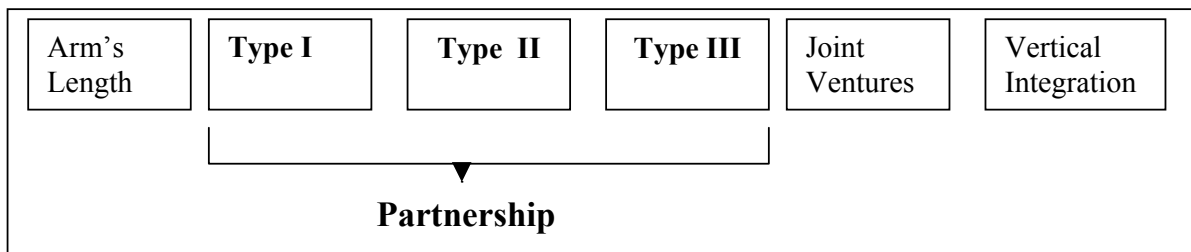
Partnerships are often while necessary and beneficial, both costly in terms of time and effort required. Therefore, a firm cannot and should not join partnerships with every supplier, customer, third or fourth party provider. It is important that scarce resources are dedicated only to those relationships that will result in benefits for the companies involved.

5.1.2.2 What is a Partnership?

The level of integration is of great importance when forming a partnership. To find the right balance that is appropriate and matches both parties expectations is vital for the outcome of the project. The different levels of integration are often classified into categories, the authors have chosen to use a classification used by Lambert (1996).

Lambert's (1999) classification range different levels of business relations into different categories.

Figure 12: Lambert's Relationship Categories



Relationships between organizations can range from arm's length relationships that consist of either one-time exchanges or multiple transactions. The majority, and the easiest to enter and exit, of relationships between organizations are the ones referred as arm's length.

In an **arm's length relationship**, a seller habitually offers standard products or services to a wide range of customers that receives standard terms and conditions. When the business transaction is complete the relationship ends. There is no felling of relationship or partnering, this is more an everyday business activity.

In Type I partnership, the organizations involved see each other as partners. To some extent the organizations have coordinated activities and planning. Type I partnership usually has a short life cycle and involves only one division or functional area within each company. Hence, a type I situation does not permeate the whole organization, it is only the involved functions that are directly affected by the relationship. An example can be that the marketing division has an agreement with a supplier of media coverage but this does not affect the manufacturing department directly.

Type II. The companies involved advance beyond coordination of activities to integration of activities. The time horizon of the partnership is extended but there is no belief of a forever lasting relation. Compared to Type I partnership there are multiple divisions and functions involved within both organizations in a Type II scenario, the integration affects departments more instantaneously.

Type III. The organizations involved share a significant level of operational integration. There is no clear border where one firm starts and the other ends, each party views the other as an extension of one's own firm. In most Type III partnerships there is no end date for the partnership. Decisions concerning entering Type II and III are always regarded as top management decisions. The cost and efforts for breaking up the business relation are significant and influence the entire organization.

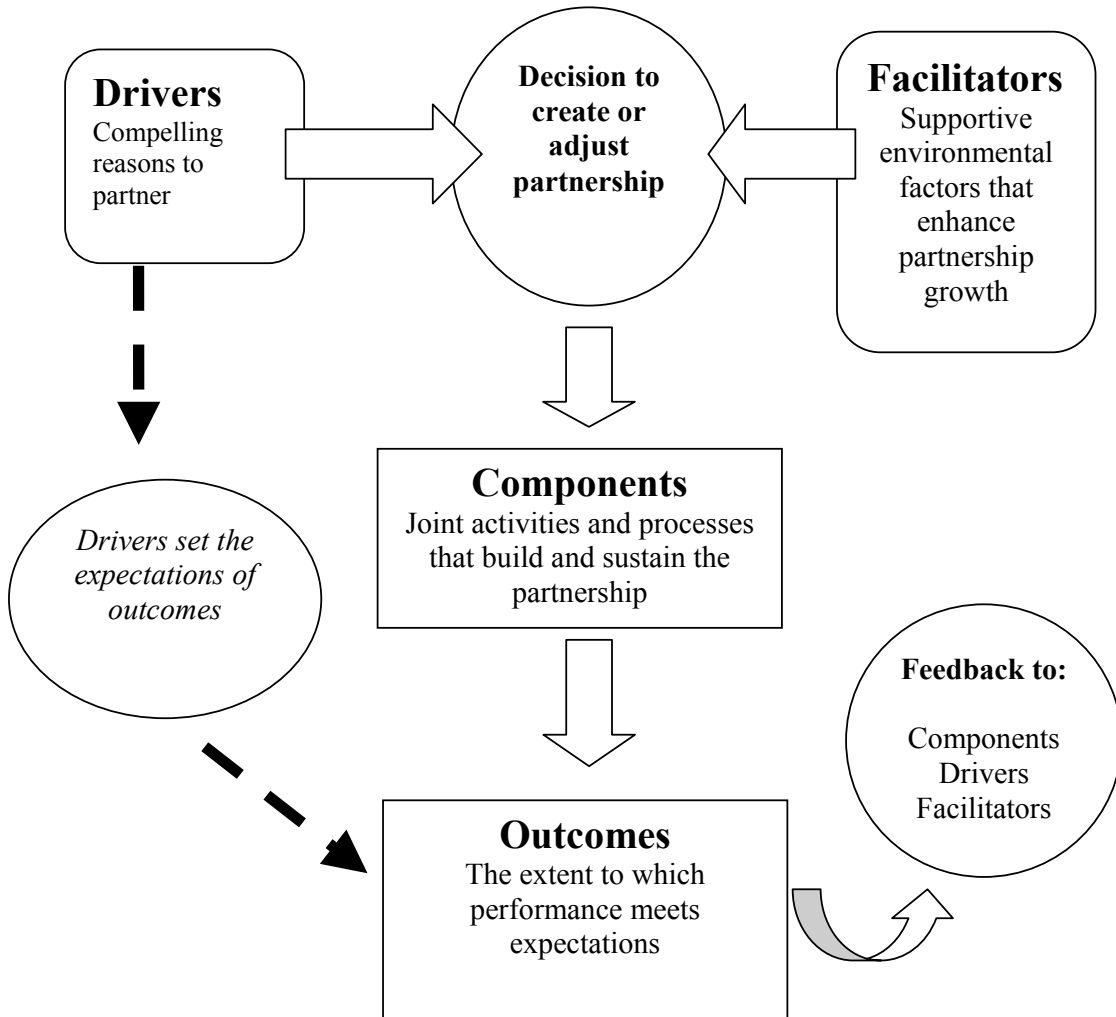
The level of partnership and the reason for entering them vary from company to company. A Company could use the level of partnership for different reasons, a multi level relationship (Type III) could be entered to secure the future of a company. A Type I relationship is often formed more often, and on short notice, within different levels of the organizations, to gain some kind of knowledge or advantage that is missing within one's own organization.

Joint ventures and vertical integration are two forms of relationships that are even more complex than the previous mentioned. These two require more investment in time, trust, shared goals, mutual understandings etc. It is significant for these kinds of relationships that are sometimes difficult, to see where one firm starts and where the other ends. Facilities and personnel are shared without any distinction. The time horizons of these relationships are long and the cost of forming and breaking them up is significant. The cost associated with dissolving and entering a new relationship of this magnitude is a drawback related to these kinds of relations. If the benefit of the relationship has diminished the only reasons for it continuing could be avoiding costs of dissolving the relationship and the insecurity of what will happen without the former partner. Another important parameter that distinguishes partnerships from joint ventures is that the later normally entails some degree of shared ownership across the two parties.

5.1.2.3 So You Think You Want a Partner?

When the management comes to the conclusion of outsourcing a function within the company, they often make incorrect decision regarding the specific type of relationship. This leads to failure, not because outsourcing is inappropriate but because managers from both sides do not agree on the type of arrangement to be used (Lambert, 1999). Managers need a systematic, replicable method of partnership and implementation. The model below is a tool that ranks the partnering company. A model/tool that could be used by companies those are in the initial phase of entering a partnership. This model uses drivers and facilitators that could be called measurements or tools to help determine the right level of integration between the two parties. It is of great importance for both parties to have a mutual understanding in an early stage, of what the purpose and objectives of the relationship actually are. Managers can use the ranking result of drivers and facilitators as guidance in their decisions, towards a successful partnership.

Figure 13: Factors for Successful Partnership



Source: Lambert, 1999

5.1.2.3.1 Drivers

The drivers of a relationship are the compelling reasons to find a partner to jointly accomplish a business-related area. Strong drivers for both parties indicate that the partnership offers each firm potential's of significant benefits. It is unlikely that the drives will be the same for both parties, but they need to be strong. The strength of the drivers indicates how well suited the company is for entering a partnership. It is important to remember that both parties must benefit and have drivers for entering the partnership, otherwise the outcome will not reflect the expectations on the partnership.

According to Lambert (1999), some of the most common drivers are:

- *Asset/Cost efficiencies*
- *Customer service*
- *Marketing advantage*
- *Profit stability/growth*

Asset/Cost efficiency

Potential for asset/cost efficiency provides a strong reason to partner. Closer integration of activities may lead to reductions in handling, packaging and transportation costs, information and product cost and may increase managerial efficiencies. A partnership may also enhance the development and use of specialized equipment and processes between the parties, without fear of technology transfer to a competitor.

Customer Service

Integrating activities in the supply chain through partnerships can often lead to service improvements for customers in the form of reduced inventory, shorter cycle times, and more timely and accurate information. It is not until it is possible to measure and monitor the service level, other potential improvement areas can be identified. When for example inventory levels are high a “false” and expensive customer service is build up within the system.

Marketing Advantage

This reason for entering a partnership opens the possibilities for both parties to gain marketing advantages. A stronger integration between two companies can for example, enhance an organization’s marketing mix, and ease entry into new market areas and provide better access to technology and innovation.

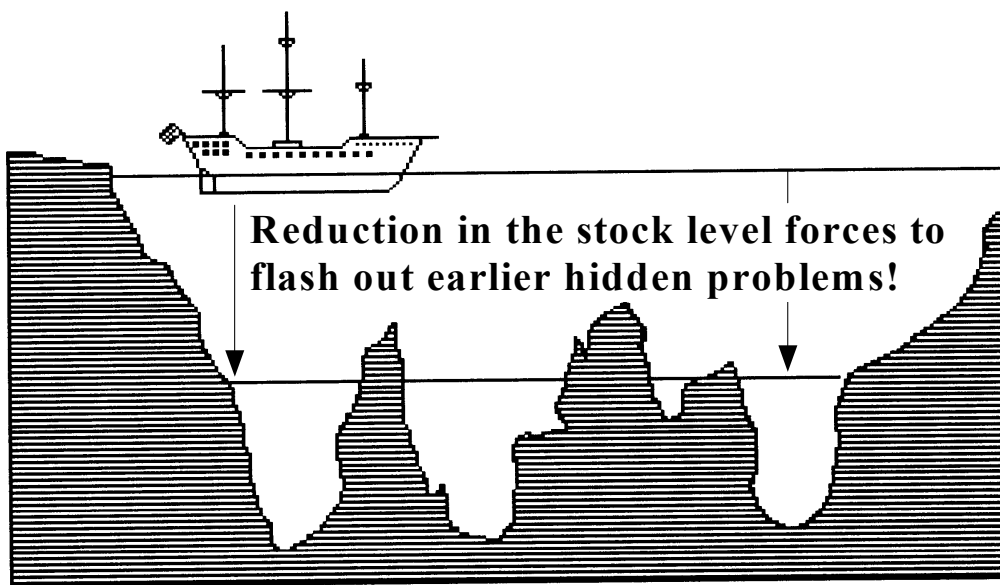
Profit Stability/Growth

In any business situation a potential for profit improvement is welcome, so this is a strong driver for entering partnerships. Strengthening of a relationship often leads to long-term volume commitments reduced variability in sales, joint use of assets, and other improvements that increase profitability (Noordenweir, 1990).

In cases when smaller companies entering partnerships with larger companies a stability often occurs that enables the small company to focus on business progress instead of concerns related to e.g., position on the market.

In logistic partnerships the drivers are also the reasons for entering a partnership. These are for example: Improved customer service, competitive advantage, controlled costs of warehousing and transports, possibility to lower stock keeping points or units and focus on core competency. The picture below symbolizes the benefits that can be achieved through a logistic partnership.

Figure 14: The Japanese Lake (Lumsden, 1998)



Lumsden (1998) presents “The Japanese Lake” theory that focuses on the relation between reduced warehouse levels and previously hidden problems, solved with high warehouse levels. To increase warehouse availability the amount held in stock is increased, with adherent cost increase. If this is done throughout the supply chain at every point where products are held, the cost of tied up capital will increase dramatically. If logistic functions are out-sourced to a third or fourth party provider the possibility of identify “hidden” problems will increase.

5.1.2.3.2 Facilitators

Facilitators are the more soft values that strengthen the reasons for entering a relationship. They can be described as the supportive environmental factors that enhance partnership growth.

Strong facilitators in any relationship support partnership development and growth, which significantly diminish the chance of failure (Lambert, 1999). Facilitators are more difficult to identify both within one's own organization and at the potential partners' organization considering that it are mostly soft values. To find measurement possibilities of facilitators can be helpful when trying to avoid pitfalls of unsuccessful relationships. Facilitators serve as a foundation for a good relationship.

In the short-term it is impossible to develop companies' facilitators. Facilitators include:

- *Corporate compatibility*
- *Similar managerial philosophy and techniques*
- *Mutuality*
- *Symmetry*

Corporate compatibility

The two companies integrating in a partnership must share compatible values. Also the cultural and business objectives must be striving in the same direction, they do not have to be identical but they can not be on collision course. The more similar the culture and objectives are the greater chance of establish the important feeling of "We" which helps achieving the goals of the partnership.

Similar Managerial Philosophy and Techniques

The compatibility of the partners' management philosophy and techniques are elements that nourish the success of a business relationship. If the organizational structures are fairly similar it contributes to ease the communication between the partners. If one company is structured horizontal with short "chain of command", and the other vertically with hierarchic "chain of command" could preclude the foundations of a relationship. Willingness to empowerment and the use of teamwork etc. are factors that influence the compatibility of the two organizations. The age of the managers and the history of the company are also influencing factors that are not easy to affect.

Mutuality

This could be described as the management teams ability to put themselves in their partner's position. This ability is usually expressed as a willingness to develop joint goals, share information and take a long-term perspective. A partnership has to benefit both parties, a win-win approach must permeate the situation. It cannot be a one-way relationship, if one partner attempts to weaken the other partner the result could be that the whole situation weakens.

Symmetry

The probability of success of a partnership increases when the partners are somewhat similar. Symmetry regarding terms of importance of each firm to the other's success, market share, relative size, financial strength, company reputation and brand image. The more alike these factors are the risk of some part becoming a "little brother" is minimized. The level of technological sophistication is for most business partnerships an important factor in how smooth the integration will proceed.

5.1.2.3.3 Components

Drivers and facilitators are the factors that establish the potentials for a successful partnership. But it is the components, the activities and processes that management establishes through out the life of the partnership. The components should make the relationship operational and assist the managers when creating the benefits of partnering. Lambert (1996), lists eight traditional components:

- Planning
- Joint operating controls
- Communications
- Risk/Rewards sharing
- Financial Investments
- Scope
- Contract style
- Trust and Commitment

Planning

Joint planning is a key component of effective partnership. The planning can vary from sharing existing plans to jointly develop strategic objectives. Effective joint planning adds both flexibility and strength to a relationship.

Joint operating controls

This reflex's the ability for both parties in a partnership to change the operations for the good of the partnership. This can vary from actually having the operational empowerment to operationalize a change without prior approval from the partner to only having the right to suggest changes.

Communications

The more breadth and depth that exist in communications between partners, the stronger the partnership is likely to be. Effective communications of both a day-to-day and non-routine basis are important to nourish the success of the partnership. There are several channels of communication, *Integrated E-mail systems, EDI (Electronic Data Interchange), regularly scheduled meeting and joint activities*. These channels should be used to communicate both good and bad news related to parties involved on all levels. It is important that the communication links are across all levels involved to quickly grasp changes and news affecting both parities.

Risk/Reward Sharing

There must be mechanisms to ensure that not only the rewards of the partnership are shared, but also the costs and risks. The partners must realize that the shared destiny of the relationship can be a win-win situation but also a loose-loose situation. A strong commitment to shared risk is evident when either party is willing to take a short-term "hit" in order to help out the partner and to strengthen the partnership over the long-term (Lambert 1996).

Financial Investment

The sharing of financial resources across the relationship can strengthen a partnership. Shared assets, joint investments in technology, exchange of key personnel, and joint research and developments reflect a high degree of financial interdependence. Such interdependence leads to a stronger partnership (Lambert 1999).

Scope

The number and complexity of the value added activities involved and amount of business determines the scope of any business relation. A partnership is made stronger by including more of the economic activities of each firm within the relationship.

Contract Style

There is a saying that the strongest relationships generally have the shortest and least specific contracts or no written agreement at all. Long term business relations that have ended up in close relationships, might get disturbed if one party suddenly claims written contract on business that have been running for years without documentation.

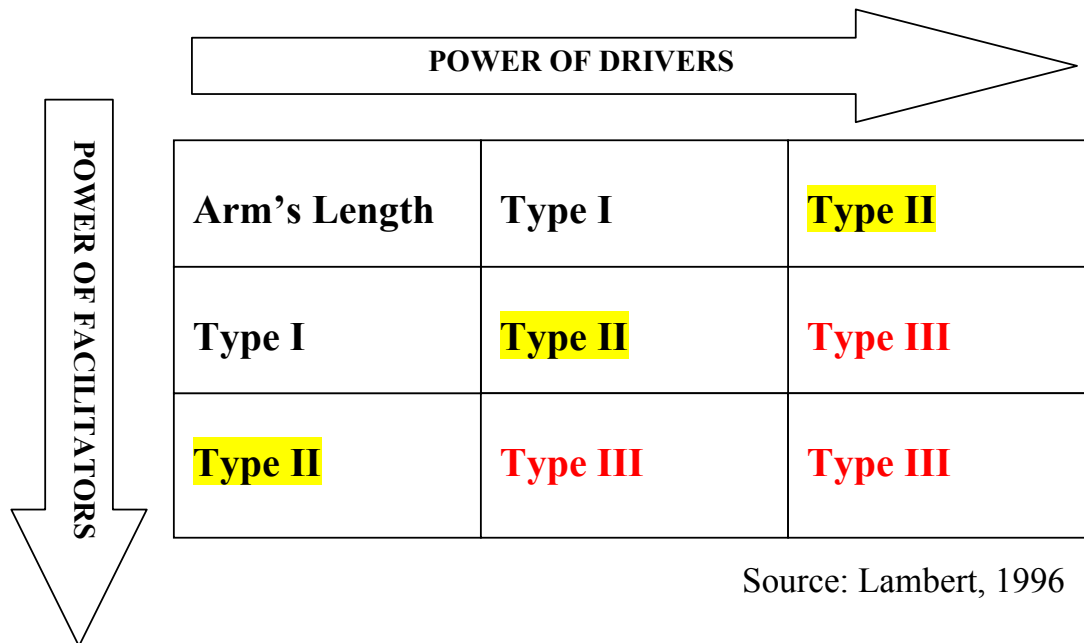
Trust and Commitment

In a well functional partnership, trust and commitment do not need to be brought up for discussion they only exist. Loyalty and long-term commitment are issues that strengthen the relationship by giving stability to the situation.

5.1.2.4 Level of Integration

The power of Drivers and Facilitators measured are valuable information for companies when exploring possibilities of partners and what level is suitable with which company.

Figure 15: Level of Integration



Source: Lambert, 1996

The more powerful the drivers and facilitators are indicates that the maturity for entering the partnership from both organizations is high. This determines how it can be achieved. It is essential that both parties possess management skills to put the drivers and facilitators into use, at the right place and at the right time. The timing and how these factors are managed are crucial for the determination of how a partnership will develop. The management must use the knowledge gathered regarding drivers and facilitators to determine the level of integration of the partnership.

Every business relation is unique and requires individual treatment for optimal result. A third or fourth party relations are often complex and require close integration between the organizations involved.

The most important components according to Claes Hydén, Logistic Group Manager at Cardo Door AB, is that both parties have a clear vision of the objectives before entering the partnership process. Without this vision the outcome will never be as expected and there is an obvious risk that the entering parties are striving in different directions.

5.1.2.5 Success Factors for Building a Partnership

According to Ellram (1999) building partnerships is presented as a five-stage process; preliminary phase, identify potential partners, screen and select, establish relationship, and evaluate. It is stated that it is important to find some specific selection criteria for potential partners. There has been several studies examine the key factors for determine the degree of partnership that should exist. The authors present a summary of the most commonly stated key factors.

- Potential for productivity improvement, the relationship should never restrain what any of the two companies should manage by themselves.
- The relationship should improve the competitive advantages of at least one of the partners.
- Joint problem sharing within the relation, these problems should have been difficult to solve alone.
- Sharing of benefits is one of the most fundamental reasons for entering any kind of relationship.
- Level of committed resources, how much both parties have invested in the relationship

As stated before it is of great interest for organizations and companies to be able to choose the right level of integration as early as possible.

Additionally Bowersox (1996) have identified eight I's that create successful We's. The higher number of I's that are fulfilled increases the positive outcome of any business relation.

- **Individual excellence**, both partners are strong and have something of value to contribute to the relationship. Their motives for entering into the relationship are positive to pursue future opportunities, not negative to mask weaknesses or escape a difficult situations.
- **Importance**, the relationship fits major strategic objectives of the partners, so they want to make it work. Partners have long-term goals in which the relationship plays a key role.
- **Interdependence**, the partners need each other. They have complementary assets and skills. Neither can accomplish alone what both can achieve together.
- **Investment**, the partners invest in each other, for example through equity swaps, cross-ownership or mutual board service, to demonstrate their respective stakes in the relationship and each other. They show tangible signs of long-term commitment by devoting financial and other resources to the relationship.
- **Information**, communication is reasonably open. Partners share information required for making the relationship work, including their objectives and goals, technical data, and knowledge of conflicts, trouble spots or changing situations.
- **Integration**, the partners develops linkage and shared ways of operating so they can work together smoothly. They build broad connections between many people at many organizational levels. Partners become both teachers and learners.
- **Institutionalization**, the relationship is given a formal status, with clear responsibilities and decision processes. It extends beyond the particular people who formed it, and it cannot be broken on a whim.
- **Integrity**, the partners behave towards each other in honorable ways that justify and enhance mutual trust. They do not abuse the information they gain, nor do they undermine each other.

5.1.2.6 Hazards and Risks of Partnering

The situation that occurs when entering any kind of partnership with another organization brings new opportunities but, of course, also new risks and uncertainty into the organization. As soon as an organization gets integrated with another the independence weakens, which could result in that the own company is influenced by the other company's problems.

The benefits of partnering have been well documented, but the risks and dangers have received less research and attention. Lieb and Randall (1996) states that the most serious concerns to shippers in the use of third-party providers include the potential for loss of direct control over logistics activities, uncertainties about the service level to be provided and questions concerning the true cost of outsourcing.

Ellram Lisa (1995) has identified additional reasons that can bring hazards and risks into the organization. She states the main factors leading to partnership failure are: poor communication, lack of top management support, lack of supplier (TQM) total quality management programs, poor up-front planning, lack of strategic direction, trust and shared goals for the partnership.

Below there will be a survey of the authors' reflection regarding reasons for relationship failures.

- **Poor communication.** Between the parties involved. The poor communication can exist on all involved levels of both organizations, and between levels. Communication includes linguistic differences, possibility to communicate through EDI and other technical tools etc. Poor communication leads to shortage of vital information but it can also result in misinterpretations and wrongly drawn conclusions.
- **Lack of top management support.** Without the proper support and back up from top management it will result in weak enthusiasm from all levels within the organizations involved. Bruzelius and Skärvad 1995, states that without the proper support the outcome will never be as expected.
- **Lack of suppliers total quality management programs.** The partnering organization gets a feeling of lack of seriousness within the other organization. If only one partner focus on TQM related issues there could be a gap between the intentions and future goals of the companies.

- **Poor up-front planning.** It will be very difficult to share a united strategy in how to work as partners, if no tactics exist concerning how to face future situations.
- **Lack of strategic direction for the partnership.** All involved functions in joint business activities must have knowledge about the strategic direction set. According to Bruzelius and Skrävad, 1995 a strategic direction contains models of thoughts and how to address problems and what tools to handle strategic issues.
- **Lack of trust.** The involved personnel can not be suspicious without reducing the possibilities of positive outcome. If lack of trust permeates the relationship the information needed might be kept secret for the other party.
- **Lack of shared goals.** A basic corner stone, if any type of relationship will flourish business, is that there exists a mutual goal that both parties can strive towards.

Ellram (1995) divide the reasons for failure into two general categories: A mismatch in perceptions over the appropriate degree of partnering or impurely executing the partnership building process.

From a transactional cost perspective, the outsourcing of logistics will increase what is called “Switching Costs”, and thus dependence on external provider’s be increased. This problem is highlighted if the provided service does not meet up to expectations or demands according to Berglund (1997)

5.1.3 Market Channels

The primary task of a market channel is the delivery of desired service outputs to target customers or consumer segments. It is critical to evaluate the quality of the channels used, do they reach out to right segments and to they generate enough customers.

Marketing channels can be viewed as sets of interdependent organizations involved in the process of making a product or service available for consumption or use. The choice of market channels is fundamentally of economic reasons. The members in a market channel can be viewed as intermediaries, due to the fact that they stand between production on the one hand and consumption on the other (Stern Louis W., et al, 1996).

The reasons and emergence of a market channel can be explained in term of four logically related steps in an economic process, stated by Stern Louis W, et al in marketing channels 5th edition.

1. Intermediaries arise in the process of exchange products or services because they can improve the efficiency of the process. As the importance of exchange increases, the difficulty of maintaining mutual interaction among all potential consumers. The contact cost connected with every end user is lowered when a intermediary in a market channel is responsible for part of the business contact through part of the business relation life cycle.
2. Channel intermediaries arise to adjust the discrepancy of assortment through the performance of the sorting processes. In addition to increasing the efficiency of transactions, market channel members smooth the flow of goods and services by creating possession, place, and time utilities.
3. Marketing agencies hang together in channel arrangements to provide for the routinization of transactions. Routinization facilitates the development of standardized procedures to easy and lowering the lead-time of treating a new customer in a business relation.
4. Channels facilitate the searching process. Buyers and sellers are engaged in a double-search process in the marketplace. The process of search involves uncertainty because producers are not certain of consumers' needs, and consumers are not certain that they will be able to find what they want. Marketing channels ease the process of searching, due to that it is in both parties interest.

The use of market channels can be seen as a two-way communication tool. The channel pushes out the product or service closer to the end consumer or that the channel creates the wanted pull effects through which consumers get in contact with the provider of a demanded product or service.

The key to coordinate market channels is, information sharing among members so that all members are aware of what their role are and what function they should perform. If there are information gaps within the market channels the right product or service offered will not reach the intended markets, therefore the right customers will not be attracted.

The number of market channels used is individual for every company. The number of channels used depends on several factors such as, the boundaries of the channel and the complexity and nature of the product or service.

Boundaries of a market channel could be the capability to handle a certain volume, geographical how many potential customers can it reach etc. Different channels can reach different segments in a market therefore several channels must be used to distribute services or products.

At present, according to Cooper J, et al (1995), marketing and branding in the logistic sector is way behind that of manufacturing and retailing. It is unacceptable to say to potential customers “tell us what you want and we will do it for you” Through market channels the marketing efforts of these services can be more positive and active. With a structured and active use of market channels a logistic companies offer is easier to communicate to different markets.

The market channels influence the cost for marketing a service or product. A firm with limited resources in a competitive industry will have problem to reach out to potential markets. Through effective market channels that have close connection to the actual market the marketing effort will be more focused on the targeted market.

The market channel is the communicator of a company’s product or service, and therefore the choice and quality of the communicator is of great importance. A trustworthy communicator is characterized by its high regards as an expert or established position as a actor at the market. In Marketing Channels, Stern Louis W., et al, states that the market channels used should be audited to evaluate their service quality. This can be done by evaluating and grade five determinants, these are:

- Tangibles: Appearance of physical facilities, equipment, personnel and communication materials.
- Reliability: Ability to perform the promised service dependably and accurately.
- Responsiveness: Willingness to help customers and provide prompt service.
- Assurance: Knowledge and courtesy of employees and their ability to convey trust and confidence.
- Empathy: Caring, individualized attention toe firm provides its customers.

5.1.4 Third party logistics (3PL)

A transport provider that extend its services beyond the actual movement of goods and also offers value-adding activities, such as warehousing and other transport related services previously conducted by the producing company can be called 3PL's. These side services that the customer previously choose to manage by themselves are now more commonly outsourced to external service suppliers. The purpose and the idea of this is that the producing company can focus on their core competence such as manufacturing, and let an external company with transport and logistic services as core competency manage these functions.

Table 2: Benefits of 3PL services

The most frequently cited benefits related to use of third party logistics services	
Benefits	Percent of respondents indicating that benefit
Lower Costs	38%
Improved expertise and Access to Data	24%
Improved Operational Efficiency	11%
Improved Customer Service	9%
Ability to focus on core competency	7%
Greater Flexibility	5%

Source: J. Coyle et al., 1999

There has been a continued growth in the process of outsourcing the logistic function and this is the main cause of an increasing attention to competitive factors such as timely delivery, cost effectively, the speediness and international presence of logistic companies. At the same time, technological progress and the growth of e-business are causing process shifts along the supply chain and generating a higher demand for logistics services. Using a third-party logistic company, with special planning and logistics expertise, can save up to 20% on logistic costs (Datamonitor, 2000). Another reason for outsourcing could be to reduce capital investments and transform fixed costs to variable costs or to facilitate the process of restructuring supply chains. Outsourcing the logistics activities can generate lower costs of logistics, higher control of the supply chain, higher efficiency and service grade.

Lumsden (1996) claims that the criticism against third party is that the transport companies start to manage some part of the producing company's logistic functions. The criticism against this is based on the fact that the producing company becomes extremely dependent of the Transport Company. This is because they acquire full knowledge about the producing company's business activities and support it with a service that is unique and complex. This makes it difficult to transfer to another transport provider at short notice.

Most third party providers are asset-based organizations, which means that they own vehicles, warehouses, or both. Connected with the ownership of these assets are some economies of scale and economies of scope. The fixed costs associated with these assets can be allocated across various shippers, thus reducing fully allocated costs per unit. Shippers who own assets to provide logistics service cannot generate similar economies (J. Coyle et al., 1999).

A third party logistic provider can also offer the customers outsourcing of all their other logistical operations. Operations of this kind are all value adding activities such as storage, inventory management, kitting and labeling.

5.1.5 Fourth party logistics (4PL)

A fourth party logistic provider is a supply chain integrator that assembles and manages the resources, capabilities and techniques of its own organization with those of complementary service providers to deliver a comprehensive supply chain solution (Accenture, 2001).

4PL providers do not own the assets used for facilitate products or vehicles to move them compared to integrators, 4PL are companies that employ the third party logistic companies and other service providers of logistical services. Core competency of a fourth party logistic company is the knowledge that the company uses to find the optimal solution to their customers. Their task is to find and select the most suitable service providers to form the network of suppliers for their customers. The fourth party provider remains, as the only contact surface for the customer, the only contact surface that is a part of the service they provide.

An essential part of becoming a successful 4PL provider is to maintain and establish long-term relationships with a number of companies needed to offer a qualitative service at the market. Gummesson (1998), discuss the possibility to measure the profitability of a relationship, he refers this as the return of relationships (ROR). Gummesson defines (ROR) as follows; ROR is the long-term effect on the profitability, which occurs through establishing and maintenance of an organization's network of business relations.

It is not before a business relation runs smoothly and without distrust that the positive effects of the relationship evolve.

5.1.6 Third & fourth party relationship characteristics

The relationship between a third or fourth party logistic provider and a shipper is usually different than traditional relationships. The characteristics that differentiate them from other traditional relationships are one reason for the popularity and growth of the third and fourth party logistic provider market. Some of these reasons are presented below:

5.1.6.1 Planning

To be able at multiple levels' plan and co-ordinate operational and strategic issues is essential to the success of the relationship. Joint planning requires input from both parties to be able to identify what's needed to achieve the objectives of the relationship. A third or fourth party logistic provider often becomes more like a partner in their business rather than just a traditional supplier to the business.

5.1.6.2 Communications

Communication is one of the most important aspects of a successful relationship. Communications is also one of the most difficult processes to design and implement (J. Coyle et al., 1999). Without functional and successful communication within a relationship the outcome will never reach its objectives. The communication must take place at all levels within both organizations. Individuals with vital information must be identified. The communication referred to here is the daily communication between the different parties involved.

5.1.6.3 Risk and reward sharing

Like any kind of relationship, business or personal, it is a matter of sharing benefits and burdens. To find an optimal way to reach common goals in a relation is not an easy task since both have their own goals outside the partnership to achieve. To reach the goals is a balance between how much to share and risk with the partner. Sharing successes and losses can prevent one or both parties from achieving these goals.

In a third or fourth party logistic relation a difficult decision could be how much to share. These types of decisions must be clarified as early as possible to avoid future disagreement.

5.1.6.4 Scope of Relationship

The larger scope of activities performed by the third or fourth party, the stronger the relationship. When companies share facilities and personnel is mixed it becomes more and more difficult to determine where one company begins and the other one ends. In a fourth-party relation the borders between customers, the company contracted to perform any logistical activity (3PL) and the fourth party provider is often difficult to identify. The customer, whose daily contact is with the 3PL company, might not feel any connection at all with the 4PL company besides the relation concerning payment. Time is another factor that influences the scope of relationship, the older a business relation the more vague the border often gets.

5.1.6.5 Financial Investment

When a relation requires or is formed by shared investments in assets, people or information systems it tends to result in a stronger commitment to the success of the relationship (J. Coyle et al., 1999) Trust is an important factor when companies share investment costs. Sharing high investment costs for a joint information system is one common situation that makes both parties more involved and committed to the relationship.

5.2 Empirical Studies

During this thesis the authors have earned knowledge and understanding concerning areas and topics connected to the SDS Company and the market of complex logistic and transport services. These insights have contributed to changes of problem approaches and methods used in this thesis. In this section the authors will relate from whence some of this knowledge and insights originate.

5.2.1 External Interviews

The authors' first aim with their search for empirical data was to earn knowledge and find parameters that would be useful when developing a tool used to determine a company's suitability to the SDS service offered.

This suitability based mainly on hard values, such as transport volume, geographical locations etc. This was done by external interviews with companies of various sizes but with a fairly common transport and logistical need. The authors chose the companies interviewed with some guidance from the management at SDS.

This part of the empirical studies was seen as an exploratory period of time when the problem was problemized by the authors. To gain a deeper knowledge concerning both internal and external influencing factors interviews where conducted parallel with literature studies.

External interviews with five companies, of various sizes but all with some potential to be a possible future customer of SDS, were conducted to find out what the common feeling towards services like SDS is. The authors also conducted several telephone interviews with other companies to discuss similar topics to identify if the information gained from the more extend interviews was representative.

Interviewed Companies

Husqvarna AB - a producer of professional outdoor products, saw and clearing machines and lawnmowers. They are a part of the Electrolux Group and have about 2000 employees. Husqvarna's production facility is situated in the town of Husqvarna, Sweden. Husqvarna generate a transport need for 250 000 tones that represent 70-80 MSEK in transport turnover Annually.

Interviewed person: Jan Lilja, Manager transports, Supply operations.

When interviewing Jan Lilja the authors got a clear picture of how a traditional transport purchaser worked. Husqvarna purchases their transports annually, welcomes all transport actors and are very concentrated on price. To summarize the interview the authors got the feeling that there was no point in trying to sell the service to a transport manager who had no connection with the executive level. According to the authors, an industry where transports matters are solved at each facility has yet not reached suitability for SDS. This is due to the importance of the strategic thinking and position of the persons that SDS tries to sell their product to.

Elanders Tryckeri AB – a company within the Elanders Company Group that is operating in five countries with 25 different companies and employs 1900 persons with a yearly turnover of 2,600 MSEK. Elanders Tryckeri, printing office is situated in Kungsbacka, Sweden.

The facility in Kungsbacka generates an annual transport need of around, 70 000 tones.

Interviewed person: Lars Karp, Transports manager at the Kungsbacka facility.

This company was chosen due to the product offered by Elanders. It is a fairly low-value product that needs a lot of transport and at the same time is in need of accurate distribution cause of its news value. Additionally, Elanders also consists of different printing houses around Europe, so the authors saw the geographical dispersion of the Company as an interesting characteristic to study. The interview led to some interesting discussions on how much transport costs a low-value product can manage. The interview also led to discussions whether Elanders should integrate their European transports or not. The result turned out to be that Elanders Executive does not work with these questions on a strategic level. Again the importance of strategic top management support when purchasing a service like SDS's was shown.

Cardo Door AB – a company within the Cardo Group. Cardo Door is one of the world's largest manufacturers of industrial doors and Europe's leading supplier of dock loading equipment. Cardo Door is also the market leader in the service of these products and one of Europe's largest manufacturers of residential garage doors. Several production facilities in Sweden and Europe generate the need for transports. Cardo Door AB have an annual transport need for roughly 100 000 doors, the characteristics of the product requires special treatment therefore the transport need is not based on weight. Transport turnover approximately 70 MSEK annually.

Interviewed person: Claes Hydén, Group Logistics Manager.

SDS was once chosen to be Cardo Doors European Transport Partner after long negotiations about a dedicated transport network for their products within Europe. This partnership never started due to key persons at Cardo Doors, working with this project, dropping out of the company. The interview conducted with Claes Hydén was to give the authors an insight in the company, what went wrong with the partnership and how their new transport solution looked like. The interview brought up some interesting areas and gave the authors some feedback on why the relation between SDS and Cardo Doors did not work out. The respondents' main thoughts about this area were about the relation between the companies and key persons dedication to projects. The respondent repeatedly explained how important a well working top management relation between the companies was and also jointly set up goals for mutual benefits. Claes Hydén stated the importance of being aware of the risk with long selling and negotiations processes, involved personnel might leave and get tired due to the long time before any operational success. Words like trust, vision, mission and goals, and mutual benefits were commonly stated.

SAPA - an international industrial group that develops, manufactures and markets value-added aluminum profiles and heat transfer strips. SAPA has a turnover of approximately 15 billion SEK with 7,000 employees. SAPA have manufacturing and sales functions in many European countries, and also in the United States and China. SAPA is one of Europe's leading companies within its field. Customers are mainly in the transport equipment, building and engineering industries.

Interviewed person: Kåre Wetterberg, Managing Director

The discussion held was mainly about strategic thinking on an executive level, involving the whole supply chain, buying behavior and strategic partnerships. This discussion was very interesting due to the respondents comments and arguments as to why it is difficult to sell such a complex service that SDS offers.

Hennes & Mauritz – sell clothes and cosmetics in 736 stores in 14 countries. They have no factories of their own instead they work with approximately 900 suppliers. Approximately 30 000 employees and in the year 2000 a sale amounted to 35 billion SEK. A yearly transport volume of 400 000- 500 000 tones for the European market.

Interviewed person: Nils Winge, Logistic Manager H&M

The interview conducted turned out to be very interesting due to H&M's lack of interest and faith in out-sourcing the logistic function within the company. It was very knowledgeable to hear some arguments why a company shouldn't out-source functions, and in this case the logistic function, to other companies, e.g., SDS. Mentioned were also words like trust, control and partnerships. The respondent also stated that today there is no external company that can handle H&M's whole Logistic and Transport function, according to their belief.

The varying position of the individuals interviewed contributed to reach a broader and deeper insight regarding what external companies consider and appreciate concerning complex logistic and transport offers like the SDS concept. The varying industry belonging to the company also gave a broad knowledge base. All interviews were made without any structured questionnaire to develop a discussion and higher the reliability.

The authors strived, and pointed out to the respondent, that the interviews were to be seen as objective as possible. This to increase the reliability of the information gained. All respondents were aware that SDS sponsored the authors' research efforts.

5.2.2 Internal Interviews

Numerous internal interviews were conducted, both with SDS personnel and other Schenker personnel, with various formality and structure. This was done parallel to the entire thesis work. Here a few of the more influencing respondents presented in a random order and short summarizes of the interviews are presented.

P-O Holmberg, Head of Tender Management, Schenker

Several interviews were conducted with the respondent due to his high knowledge within the area of buying behavior and long experience within the transport and logistic industry. The authors received information on how the Tender Management function works and also how they act within the Schenker group. The respondent also explained the importance with relations between companies. One success factor is that the organizations should be homogeneous for the best and most successful relation.

Lars Vidfeldt, Key Account Manager (KAM) Tamro, Exxon Mobile and Stiga

The purpose with the interview was to investigate if there could be some kind of interest for a closer cooperation between SDS and the Key Account Manager. The respondent presented today's customers and their different characteristics. A discussion was initiated with the fact that the internal communication at Schenker could be very poor and also how invisible barriers could arise between the different functions. The poor communication and barriers could address sub-optimization within the Schenker organization. In addition to this the authors received a general introduction to the KAM profession.

Bengt Lannér, KAM, Stora Enso, SCA, Hexagon and Storel

This interview started with a general introduction about the KAM's responsibility towards the customer. The respondent then explained the importance for a KAM to have a high knowledge about the products offered by Schenker. The respondent explained his goal to meet customer expectation and the need to work proactively towards the customer.

This means that a higher information output within Schenker would be of great importance when striving to act proactively towards a customer.

Leif Ohlsson, GAM, Volvo, Telia and ABB

The goal with the interview was to receive input on sales and buying behavior. According to the respondent trust is the key for success and a sales person's entrance ticket. The respondent explained how trust can be earned and how a sales person can sustain this trust. The internal communication was again mentioned as poor and arguments for a well working communication between the functions was once again addressed.

Matthias Kettelhoit, Managing Director, Schenker Consulting

The purpose of the interview was to get more information about one of Schenker Consulting's old projects, LIAB. This project resulted in the Company LIAB that has a similar business idea as SDS but towards another segment on the market. The authors saw potential in some valuable information that could steer the project in the right direction due to the similarities between SDS and LIAB. When Schenker Consulting worked with this project they identified the importance of strategic management support from the customer side. The respondent put a lot of time arguing why it was so important with strategic management support from the customer to be able to sell a complex product that LIAB offered.

How to charge a service was also discussed, which was very interesting due to SDS position where potential customers could leave with the solution and implement it with a competitor to SDS. The complex situation that the better SDS performs their service towards their customers the lower the revenues could be, this paradigm was discussed and different ways to approach the paradigm.

Claes Berglund, Marketing Director, Schenker AB

The main topics that were supposed to be discussed during this interview were Segmentation, Targeting and Positioning, Logistic maturity and different selection tools. The respondent started to define Logistic maturity in that way that when a company are ready to out-source a function they have reached a, what he called, a strategic maturity. This is what SDS customers must have reached before they are suitable for a partnership with SDS. The respondent also explains more in detail how a company should work with segmentation, targeting and positioning. A discussion was conducted around the area of selection tools, which gave the authors guidelines what and how some models should be used. The respondent also pointed out that there exist improvements possibilities between the Tender Management function and SDS. This due to the Tender Management's function is to distribute RfQ's with the customer's own developed transport network and requirements and this is a part of what SDS sell to the customer, unique transport solutions. Another thing the respondent pointed out was the importance of being able to define the service offered to be able to sell it.

Magnus Strand, Managing Director, Schenker Dedicated Services AB

This was the authors' primary source for information regarding the SDS service offer, which helped to understand the underlying reasons for this thesis. Most of the information regarding SDS history and the exiting business relation with SKF was presented through numerous shorter interviews and daily contact with Magnus Strand. To understand the complexity of the SDS offers and get insight concerning SDS's vision, mission and goals and its relation to the other Schenker companies the authors repeatedly used M. Strand as an vital information source.

Interview summary

The interviews conducted internally and externally represent a broad variety of industries and also the relevant functions within the Schenker Group. This resulted in a wide knowledge base within many areas such as, buying behavior, business-to-business relations etc.

Since the interviewed persons held different positions within the companies, the authors were able to generate a broad perspective towards a solution to the different sub-problems stated. When summarizing the external interviews, the authors became aware of several factors of great importance for every company, when entering a business relation with the same magnitude as a SDS offer. Some of the most important factors were the high level of trust needed between the companies, mutual goals of the business relation and the same strategic involvement from both parties. The previously mentioned factors increased the number of internal interviews needed to identify whether these factors were possible to find within existing business relations or not. The authors' believe that this factor is well aligned with the Schenker Groups vision of being a complete transport and logistic provider towards their customers.

During the interview period the authors started to more intensively focus on finding suitable market channels, which should work as "filters" to eliminate the less appealing potential customers before they end up at SDS with an RfQ. Through well-managed market channels the authors believe that it would be possible, with less time and capital needed, to identify the right customers.

6. ANALYSIS

This chapter starts to presents how SDS preferably should work with the §selection process of new customers in relation to the theories presented in this thesis. After that section a presentation of the “Market Channels” follows. Finally the “Soft Values” section will be analyzed. Here the theories of Building Successful Partnerships and Market Channels are combined for the best output of the analysis. The soft value theories are used on market channels in this thesis, they should also be used as a guideline for SDS when evaluating customers.

6.1 Analysis of what customer characteristics must be fulfilled

This section covers the “hard values” that are of interest for SDS to identify potential customers. The sub-problem “*What customer characteristics must be fulfilled to be potential for SDS?*” and “*How should SDS position and segment their service towards the market*” are in this section analyzed. This is according to the authors **not** the most important part of the customer requiring process but it is the first step in the selection process. This process suggested by the authors in this thesis should be used only to be able to identify the guidelines (framework) of what kind of company size and industries potential customer for SDS exists. This knowledge should work as a backbone when a potential company is initially investigated.

6.1.1 Preliminary market screenings for SDS

Every producing industry, business to consumers or business-to-business has a demand for transports and logistic activities. With this first basis the potential market is enormous, and to be able to meet some of the available demand some criteria revealing what industries are suitable for SDS. There are today numerous actors on the transport and logistic market offering a broad variety of services. Since SDS operate each customers with dedication, the operating cost is higher compared to a customer operated in the general Schenker network (M. Strand, 2001). When the concept of SDS service offer is to develop, implement and operate a dedicated transport and logistic solution for each customer it is difficult to set up to rigid criteria. When each solution is dedicated the flexibility of SDS must be high with not to tight ruling out or selection criteria. To find the best fit possible SDS should focus on what kind of business.

To identify customers that have the ability to gain the positive effects that a dedicated treatment could result in, SDS's preliminary screening of markets using the ruling out and selection process would according to the authors result in a these factors:

6.1.1.1 Ruling out Procedure

Ruling out is a “negative type” of market selection, meaning that from a potential group of markets the less important will be ruled out in such a way that the best markets will be left for further investigation. The following factors are among others that can be used for ruling out less important markets (Molnár J and Nilsson Molnár, 1999):

Using this ruling out procedure as a primary step for SDS to narrow down the number of potential industry markets which are suitable for them, the following ruling out criteria are according to the authors relevant:

- The economical situation of the potential market region must be fairly high.
- The political situation at the markets should not be constrained by high customs or other trade barriers.
- The markets of interest must have some connection and business in Sweden since this is the location of the SDS business.
- The technological level must be fairly good throughout the markets, this because that it is a requirement for the use of the SDS service. This can be seen as a cultural factor, the industry of interest must be willing to adapt to new technological features.

These above mentioned criteria's are set to identify potential customers in an early stage. Today's strategy for SDS is to meet the customer demands that not are fulfilled within the general Schenker network is today and can be seen as a ruling out strategy. Today's situation, when SDS have SKF as their only customer, the characteristics of SKF are used as overall guidelines for what a potential customer must fulfill.

6.1.1.2 Selection Criteria's

Selection criteria means that some important criteria are chosen as basis for selecting those markets which meet the company's requirements. The market selection procedure can be used both for consumer products and industrial products, but it is considered to be more suitable for industrial products.

The reason is that users of industrial products are normally fewer than users of consumer products (Molnár J and Nilsson Molnár, 1999).

In the SDS situation, at the present time with only one customer as reference, and dedicated solution as a business idea, this results in that the selection criteria's must be set as guidelines not as absolute truth according to the authors.

- Industries that do not interfere with any strategic or morally guidelines within the Schenker Group, example not transporting liquor or tobacco.
- The goods value of the products must be fairly high (50 SEK/KG) or higher, which rules out most of raw materials and bulk transports (M. Strand, 2001).
- The goods volume must access 50 000 tones annually per TCC employee to be economical valid (M. Strand, 2001)
- The transport work should primary be satisfied through road transports.
- The goods character should preferably be standardized which facilitate the use of standard handling equipment (M. Strand, 2001).
- A transport structure with multiple relations. That facilitates a structure of a Hub&Spoke system (M. Strand, 2001).

6.1.2 Macro-segmentation of potential customers

For SDS to narrow down the number of potential industries they need to set some more specific criteria's. Today SDS has no written distinguish guidelines for what industries that are of interest for SDS, the Managing Director at SDS, Magnus Strand has as a guideline that SDS should focus on serving industrial industries as preliminary markets.

A trend within industrial industries has been to take advantage of the low price on transports and move goods instead of production facilities. This, and the additional fact that the postponement of products, decreases tied up capital costs but could increase the need for transportation. SDS should macro-segment the industries by the value of the goods they produce. This is a very basic tool for segmentation of industries, but it is not accurate enough to use as the only decision criteria, since there are always exceptions within each industry.

Seen from the model developed by Molnár J and Nilsson Molnár, the most important thing for SDS in this procedure is to find the type of base for macro-segmentation that enables to measure the market size in quantitative terms. For SDS this could be done through investigating statistics of different industries and their present and future transport and logistic needs. Another factor that suits SDS, mentioned previously, are industries that by postponing the completion of products increases their need of transports.

6.1.3 Estimation of market sizes

The SDS service is a fairly long time relation between SDS and the customers that result in that SDS should focus on industries with an established history. Most companies meet this criterion, but what the authors are referring to is that SDS should look at what historical behavior regarding the companies' relocation habits etc. To identify if a company is a rising star or a sinking ship, is of real importance when estimating their market size and before initiating a business relationship that is believed to last for several years.

The goods flow between markets a potential customer is operating on, is also of interest for SDS. If there are major imbalances it normally means problems regarding designing optimal transportations. A good example of existing imbalances is the goods flow between Scandinavia and Europe.

If or when SDS will have personnel, responsible for customer contacts acting like sales personal, it is important that they have the right information about market sizes so that they do not operate within the wrong industries. Sale forces are made for selling not searching for customers (Kotler 1998). By providing the sales force with the right leads they have more time to focus on their core work, selling services or products. When a company like SDS today does not have the guidelines or leads well structured and documented, the search for new customers will be a costly and an uncertain procedure.

SDS should focus on industries and companies where the distribution of goods is from many locations to many locations, in the SKF concept there are several production facilities spread out on the European market with a transport need between the different facilities, and to a central warehouse. This border crossings and internal transport needs are criteria's that SDS should focus on when judging customers suitability.

Any industry with an annual transport need closing up to 100 000 tones and with international presence that can be served mainly by European road transport is the primary market size criteria that SDS should also be observant too.

6.1.4 Segmentation of potential markets for SDS

The management at SDS knew that the output on general transport services was massive, but there is a potential market for serving customers with large transport volumes with willingness to pay for the extra services connected with dedicated transport solutions. The segmentation of SDS where therefore set to serving large customers with special needs.

This decision was a result of the formation of the company SDS, which should focus on clients that wouldn't fit into the general network offered by the Schenker Group.

SDS that is a part of the Schenker Group has the benefit of the large network of customers within various industries. This network gives the Schenker Group and SDS personnel a greater knowledge about the various industries behavior and what potential they have. The Schenker Group has positioned themselves as a premium provider of transport and logistic services, which has resulted in that they have attracted customer segments that seek, and are willing, to accept a slightly higher cost for better service.

The companies within these industries that have products with fairly high value, seeks to minimize redundancy within their supply chains, such as shorten lead times, lower inventory levels and reduce number of warehouses and increase the frequency of transports instead. The SDS concept with SKF is based on daily transport frequencies in a hub and spoke system. These are parameters that SDS should focus on in their segmentation process.

When the segmentation process has reach this stage the factors mentioned above should be fulfilled and SDS should have identified the companies within industries that fulfill the right criteria's regarding the hard values.

The service offer by SDS requires that companies have reached a certain logistics maturity, such as supply chain management ideas, and strategic knowledge that they should focus on their core competency and find a partner for services like transport and logistics.

The next analysis section covers what factors that determine when a company has reached the level of the right soft values.

The importance between user characteristics and user behavior, in the SDS situation is difficult to rank in segments. Lovelock (2001) mentions that the technological maturity today gets more focus when a company is screening markets for identifying potential segments. SDS should in a selection process form a segment consisting of customers that seeks a premium solution with a high technical maturity and a understanding of the benefits of out-source non core activities in their supply chain.

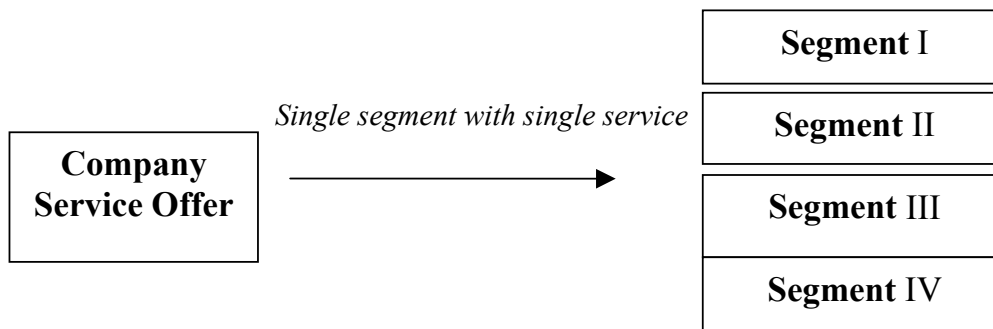
The technological maturity is classified under the user characteristics among geographical location. These factors are by the authors believed to be the primary focus to identify. When these factors are measured and known, SDS have a framework of industries and companies.

Within this framework, investigating the softer values that are connected with each company will identify the right companies.

6.1.5 Targeting

SDS should, among their potential segments, chose to target their resources on those where SDS have a competitive advantage compared to other competitors at the market. Since SDS today has limited resources, consequently they can only investigate two potential customers suitability per year (M. Strand, 2001), the targeting of resources is vital. The complexity of the service offer, that each customer is treated with dedication, consequentially result in that each targeting effort must be done on an individual basis. This is illustrated with the figure below:

Figure 16: Single Segment with Single Service



Using the soft values (*analyzed in next section*) of each company targeted, to identify if they match the SDS concept of service offer, does targeting more accurate.

6.1.6 Positioning

What SDS strives for is to become an established actor that offers customized solutions with extra ordinary services. The customer shall gain competitive advantages by becoming a customer to SDS. To meet theses objectives SDS must position themselves as a top service solution. The fact that this might result in higher transport costs is accepted due to the benefits that a business relation like this could result in. Benefits like this could be improved customer service, less tied up capital in warehouses and safety stock, more information and reliable data concerning the physical flow of the companies products through-out their supply chain.

A crucial factor that must be fulfilled when a company, like SDS, has chosen to position its self as a top service provider, is that the service must constantly be high otherwise it is not possible to insist on the higher price for its services. A known fact is that a transport and logistic provider can easily loose market share by lower the service level, and that it is hard to increase market shares just by performing well, the service level offered must all the time be supervised and strived to be increased.

By identifying segments consisting of customers that seeks a premium solution with a high technical maturity, and an understanding of the benefits of outsourcing non core activities, SDS are striving in the right direction and has found segments of potential customers at the market. The next step is to position the service or product presented to determine what positioning towards the existing competitors a company should strive for. SDS strives to be a top supplier of transport solutions regarding quality, service, reliability and punctuality. The support from the mother organization, Schenker AG, and the possibility to use the general network when needed helps SDS to achieve these goals. To manage to impress the positioning is when the customer's know what differentiating the service or product offered compared to the competitors.

After this selection process SDS should be able to have a framework that could be used for measuring if the company is worth further investigation and dedication of resources to analyze the "soft values" of interest.

6.2 Market Channels

The new course of action resulted in a concentration on some specific market channels to study. The sub-problem defined as "*Which are the optimal Market Channels to work up, to achieve the best outcome of the recruiting process?*" will in this section be presented. These specific market channels that the authors chose to study was a result of all the information received from the different litterateur studies and trough the interviews proceeded. The authors believe that the market channels presented below are the ones that SDS should start to focus on and work up for the best recruiting result. The market channels that the authors will focus on throughout this thesis are:

- Key Account Managers within the Schenker group
- Tender Management at Schenker AG
- External consultant companies

Today one of the above mentioned channels are in use, i.e. Tender Management. The Market Channels Account Managers and External Consultants are today not considered as alternatives and not actively used.

The authors will later present how and why these channels should be processed by the management at SDS, to in a more effective way reach their objective of recruiting new customers in a quicker and less expensive way.

A quick introduction of the three market channels is presented in the section below, to give the reader an insight of what areas that later will be covered.

6.2.1 Account Management at Schenker

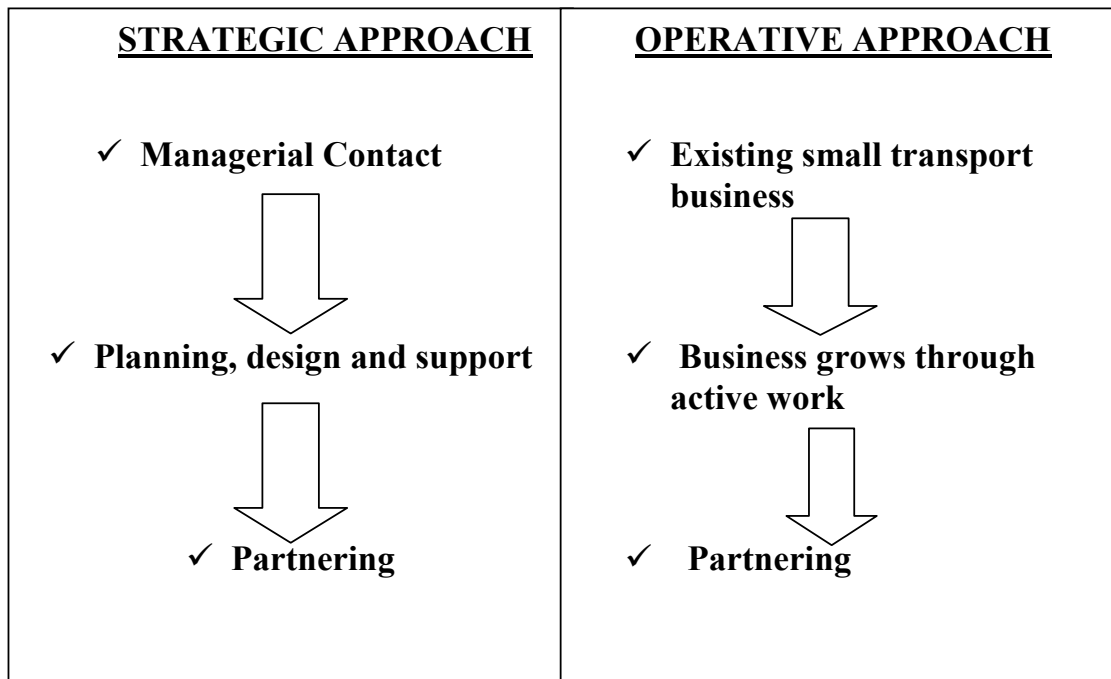
What characterize a key account customer at Schenker is that the relation should be a partnership or a co-operation and not only a business relation. Schenker are supposed to invest in the key account relations and be pro-active in the customer's logistical development. When a customer has reached the magnitude to become a key account customer at Schenker, they have a highly qualified person at Schenker who is dedicated to find the best solution for the customers needs. The key account manager works as a contact "hub" between the customer and the different Schenker companies to find the best solutions. Accounts that in most cases are even larger and with more border crossing goods flows are called global accounts, these are referred to as GAM.

Some basic criteria's that must be fulfilled if Schenker will assign a key account manager to a customer relation are:

The key account customer must at least have an annual transport and logistic turnover of 25 MSEK. The customer should have a desire of entering a business partnership with Schenker (Key Account Management).

The account managers at Schenker must have organizational support, the right authority and knowledge about both their own and the customer's industry. The customer must show willingness, have a certain logistic maturity, key-persons support and contact, and resources available to realize suitable logistic activities (L. Widfeldt, 2001).

To strengthen the business relation between a customer and Schenker to develop the relation into a KAM or GAM relation there are two pronounced ways to approach the customers, strategic and operational. **Strategic:** Contact on a managerial level. Present logistical solutions and reach an agreement and form a partnership. The second way, **operational**, means development of existing transport relations between the customer and Schenker. The business grows through active work with the customer. Eventually the business is big enough to form a key account partnership.

Figure 17: Key Account Management

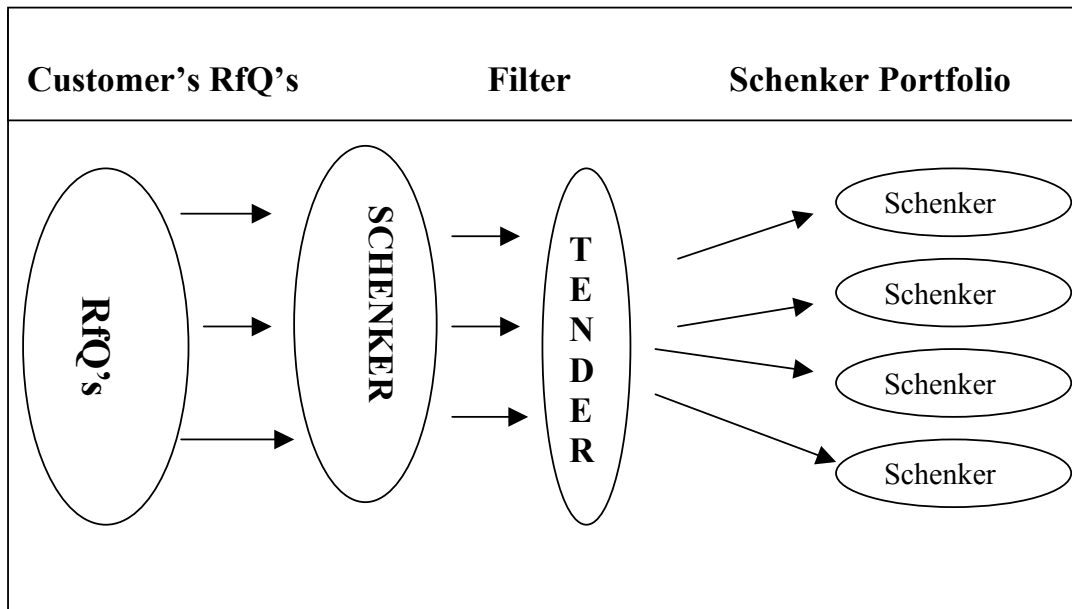
Source: Schenker Key Account Management

6.2.2 Tender Management

The market channel that SDS today receives their RfQ's from is the function called Tender Management. The Tender Management department is an objective function within Schenker AG. This function gets involved when the RfQ's yearly turn over from customers to Schenker exceeding 25 MSEK. The organizational reasons to place Tender Management, as a function of the German head organization (AG) is to avoid sub-optimization and empower the personnel at Tender Management to seek the best solution available for serving the customer within all Schenker functions (E. Lidström, 2001).

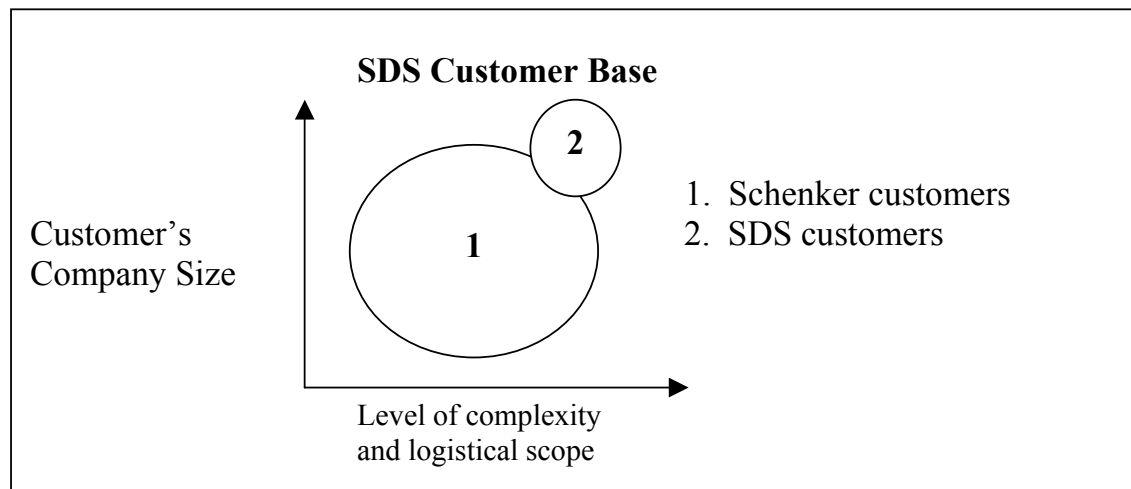
This results in that it is of great importance that they have the right knowledge of which company or function within the Schenker portfolio is capable of doing what.

Figure 18: Tender Management Function

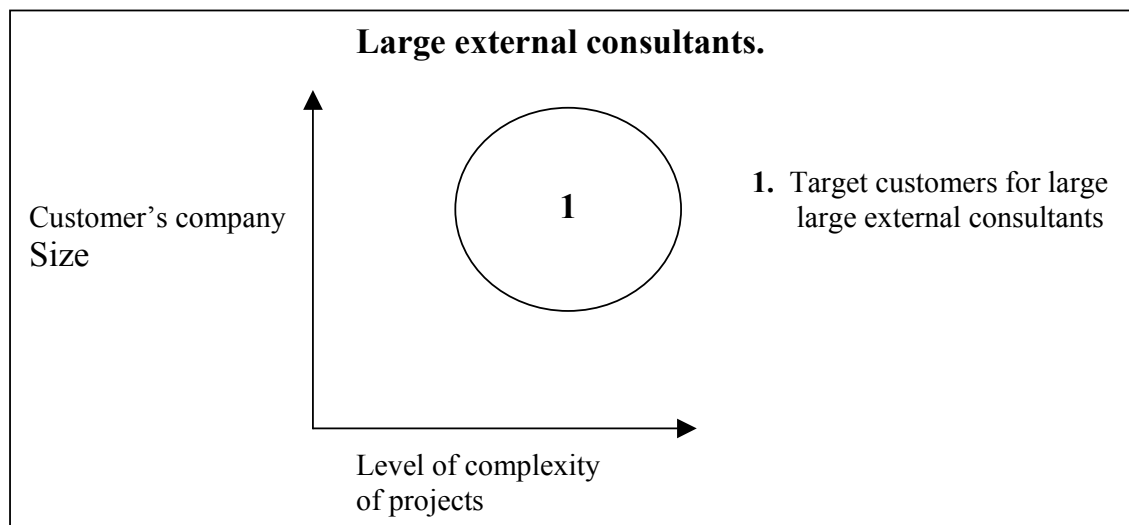


6.2.3 External Consultants

The market channel the authors have chosen to name External Consultants refers to the large international consultants firms such as: Accenture, Gap-Gemini Ernst&Young, McKinsey etc. To be able to get large consultant agencies aware of the presence of the services offered by SDS would increase the potential for SDS to get recommended to the right customers. Even if SDS and these companies, SDS and the above mentioned consultants firms, have little in common operationally they have similarities in their customer bases. This is illustrated in the figures below and the reason for why this market channel is believed to have great potential.

Figure 19: SDS Position

Primarily, the SDS position will be presented in relation to Schenker's customer base. The general network offered by Schenker covers a wide range of customers looking at company size and level of complexity, while SDS is more positioned towards complex solutions for larger companies.

Figure 20: Large External Consultants Firm's Position on the Market

The purpose of the figures above is to illustrate the match between the customer segments between SDS and the large external Consulting Companies.

These consultant companies have frequent missions from their customers to evaluate logistic and transport related issues, such as: Supply Chain Strategies, prepare large RfQ's for supplier selection of third, fourth party providers.

Companies with international presence that has chosen to out-source their logistic activities often use their consultant contacts to find a potential logistic partner.

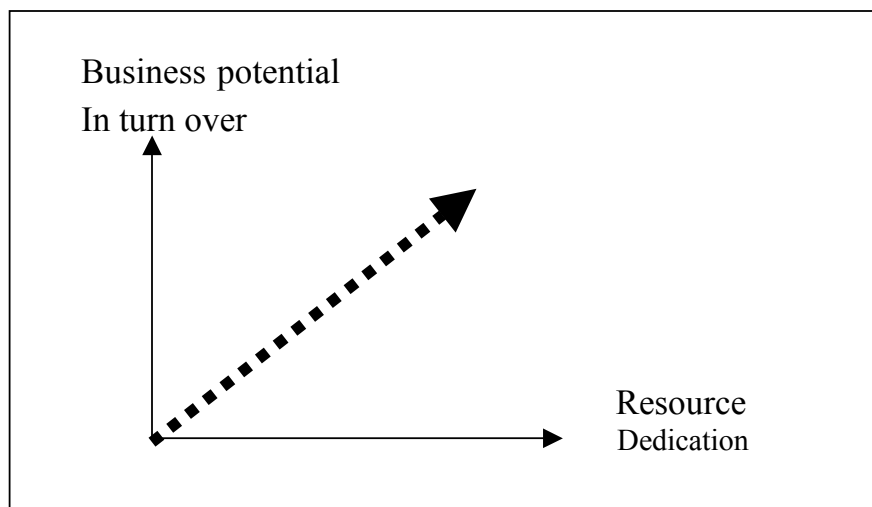
Another reason for SDS to establish contact to some extent with external consultants is that they have access to today invisible potential market shares for SDS. Lars Börjesson partner at Accenture states that there is a trend within companies to focus more on Pan-European solutions of transport and logistic needs. When companies that follow this trend uses consultant firms to find ways to strategically form the Pan-European approach for their company. These companies that are on the way of forming a broader perspective are today invisible since they do not see their transport and logistic needs on a pan-European level yet. The consultant firms can work as a bridge between companies that are on their way of generating a demanding transport need and SDS.

When a company has reached a decision and turned to an external consultant for reconstructing a company's strategy or total supply chain solution it is initiated by top management and with the right strategic support. This right level of commitment and strategic support essentially increases the chances for a company like SDS, when trying to offer their offer at the market.

The concept that SDS offers can be seen as a part of a total supply chain solution for a company and a support from a consultant company strengthen the chance of positive outcome.

The figure below is to illustrate a part of the problem that SDS faces when their potential clients are large customers with complex needs.

Figure 21: Sales of Complex Services



When the initiative comes from top management it is more likely that any suggestion will be viewed more positively and a pull effect is initiated.

When trying to sell the product to an external customer, with no connection to the Schenker Group, it is more common that the customer will automatically take one step back and possess a “defensive position”. But when a pull situation is created the customer will act more openly towards the selling part.

6.3 Soft Value Analysis

In this section the three different channels, that the authors believe are most suitable, for SDS to operate through to meet customers are analyzed, and it is how these are used with reflection of the soft values that are of importance. The authors will integrate the analysis of the relationship theories with the analysis of the market channels presented in the thesis. Integration of the analyses is done too strengthen and easier illustrate the connection of the two theories. The channels are, Tender Management, which is the existing internal business relation today, Global and Key Account Relations, and external consultants.

The level of integration the business relation between SDS and its customers requires that the soft values such as business culture, level of commitment and trust and willingness to share risk and rewards are high. Even if the framework of “hard values” matches a company, it does not necessary mean that the customer is receptive of the service offered by SDS.

Industries that today have high cost concerning transport and logistic activities and have reached the insight and maturity to seek out-sourced solutions to their needs are to be seen as prospects for SDS.

Which of the different types of relationships classified by Lambert (1996) seen from SDS perspective the authors’ mean that the most accurate level is the category level called, Type II, where there are several divisions and functions involved within both organizations. What this means is that not every function is involved but the integration is deep enough to affect both companies and their current way they operate the logistic activities. But the integration does not cover enough areas or functions, that the relationship can be classified as joint venture or vertical integration.

Type II level of integration is also most suitable regarding the time a business relation between SDS and customers are expected to last. The general notion in Type II business relation is that the relation is time restrained with some contracts, which are renewed if everything runs smooth. The pressure of time restrained contract increases the service commitment compared to a business relation that does not have any time frame at all.

6.3.1 Analysis of the Market Channel Key Accounts within Schenker

The market channel referred as KAM or GAM would be an attractive alternative for SDS to consider and establish as a market channel. The fundamental reasons for this standpoint are presented in this section.

Leif Ohlsson (2001), Global Account Manager representing Volvo, ABB and Telia consider the independent position important when the account managers role is always to find the best solution for the customer without considering which Schenker company or function that is best treated.

In current relations, Key or Global Accounts, there are established business relations with the customers. The account manager should work pro-actively and be observant for what a customer requires from Schenker in terms of price level and service. For SDS to take part and be an existing alternative for KAM or GAM to present for its customers would increase the possibility for SDS to meet customers and the overall Schenker service offer will increase. In a scenario like this a possible network solution could be evaluated from the information regarding the customers transport network without the customers involvement. If a customer concept can be considered without revealing it for the customer the risk of that the customer without SDS involvement uses the solution is diminished.

In a joint solution with a KAM or GAM manager to serve customers the internal borders between SDS and other Schenker function will probably be minimized and the information regarding what kind of customers will fit with SDS.

Today there is little knowledge amongst key account managers at Schenker about the SDS Company and their business and service portfolio. Since SDS is a company of its own they have been acting on there own, and tried to expand through purely external customers.

Drivers

To identify the compelling reasons to partner referred as, drivers, is according to the authors done with less resources in a quicker way if the existing relations are used in-house. B. Lanner (2001) states that one of many responsibilities a KAM or GAM managers has is to be observant and identify if a customer seeks new solutions regarding their transport solutions.

Facilitators

Regarding the facilitators that are according to Lambert (1999) difficult to identify and measure cause of their softer character before entering a business relation.

When capturing the benefits of the existing relations between a KAM or a GAM and customers the chances of finding these “soft” values increases, and so also in turn the business potential.

Corp. Compatibility

If a company has reach the classification, Key or Global at Schenker its most likely that there are some corporate compatibility between the two companies. The business ideals that Schenker represent are not different from the ideals SDS stands for, so a customer matching the ideals of Schenker is a match also for SDS in this field.

Lamberts (1999) also highlight the positive aspect of a prior history between companies when entering a new business situation, this also strengthen the reasons of the authors recommendation of exploring the possibilities of using existing business relations within Schenker as a market channel.

Components

With a prior history together with Schenker the functions called, components, would more easily run. But of course it could also be a draw back if the customer is used to plan, communicate in certain ways and do not have the ability to change and adapt to a new situation managed by SDS.

One component that, Lambert (1999) states, strengthens a business relationship is mutual financial investments, however SDS strives to avoid mutual investments when they lead more towards vertical integration and joint ventures which could lead to problem concerning who’s the legal owner of the concept developed for the customer.

6.3.2 Analysis of the Market Channel External consultants

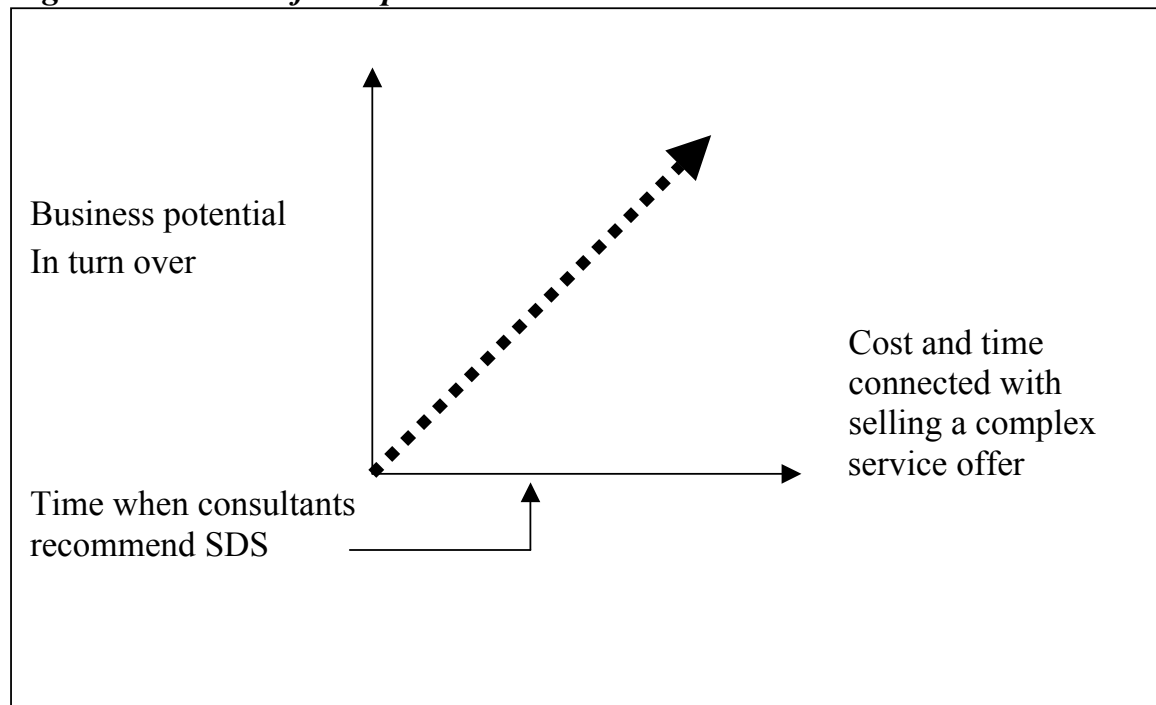
The knowledge earned about the complexity of the product and the behavior of companies interested in buying a service like the SDS offer, lead to the conclusion that external consultants were to be seen as a market channel. What the authors believe are the strongest reasons for this belief is presented in this analysis.

Drivers that can be seen as the compelling reasons for using this market channel for SDS are presented first. The match between parts of the customer base of large external consultants companies, such as Andersen, Accenture, KPMG and Mc Kinsey etc, and the customers that are considered to fit the SDS future customer portfolio. These companies often have the international presence and the size that render in large transport and logistical needs.

These similarities are of importance for SDS to capture, these consultants companies have high reputation and their customer often follows their advises. What also strengthens the value of this channel is that if a company has turned to a consultant to find a solution the company might feel like money thrown away if the consultant recommendation is not followed up.

A second compelling reason for this market channel is more economical. The market channel, external consultants, could both minimize the time and cost connected with customer recruiting for SDS according to the authors. This is possible due to that external consultants recommend companies to SDS when they already have reached a mature and positive attitude towards the service concept offered by SDS. This can be seen as the consultant firm having done part of the selling process for SDS for free.

Figure 22: “Sales of Complex Services”



What the authors refer to as facilitators, which are supportive reasons that enhance a decision to join a business relation in this market channel are presented next.

A company that has taken a strategic top-management decision after co-operative work with a consultant company, to reconstruct a business strategy or total supply chain design. Strategic decisions that affect a companies operation on a pan-European level must have the right strategic support that in most cases is the managerial level which is what SDS operates on.

With the right support a customer contact is not as vulnerable compared to a company where there might just be a few fighting spirited persons that support a major change, for example, out-source to a greater extent for transport and logistic related needs.

Another supportive reason for using external consultants is the strength of the business reputation of well-established consultant firm. The most important and fundamental basics for any business to develop and grow are, according to Peter Toth, Manager at KPMG, trustworthiness and obvious commitment to the success of business. If a company has not been able to establish a “good name” in the market by themselves because of their size or history as a company a functional market channel is of great importance.

A market channel where external consultants use and recommend a companies services is a good way to grow and nourish from the good name of the consultant company according to above mentioned Peter Toth. The reason for why a company has not yet been able to establish in the market do not have to be that they deliver poor quality services, it could be that they have changed market positioning etc.

Awareness of supply chain improvement possibilities referred to as logistical maturity as customers is an important factor for SDS and this has previously been mentioned. External consultants come in contact with companies in an earlier stage of companies logistical maturity process then SDS have the ability to do. This is due to the fact that the companies contact consultants firms because they have reached a decision to change their total supply chain structure, but they do not know how. Therefore these companies do not know whom they need as a business partners in order to solve their yet not known partner needs. Therefore, consultants firms can recommend potential customers to SDS that SDS otherwise would never have discovered or been able to get in contact with according to Torbjörn Stockman, Partner at Accenture.

The difficult part can be to establish the knowledge among these firms about the SDS offer and gain their high regard. But considering that it is in both parties' interest, the consultant firms must keep updated and have top knowledge about available market actors, and SDS could gain customers through establishing the contact, this shouldn't be a major problem.

What can be seen as **components**, joint processes and activities for SDS to consider external consultants, as a market channel will be presented below.

A trend within the consultant industry is to develop more alliances and longer business relations with the suppliers of services that they recommend to their customers. This trend increases the awareness of the consultant companies that they recommend highly competent and top quality providers of services toward their customers, since it is in their own interest that the customer is satisfied. More focus on longer business relations among consultant companies is seen as a positive reason for why SDS should dedicate resources to establish business relations among consultants companies and consider it a market channel.

6.3.3 Analysis of the market channel Tender Management

Today Tender Management is the only actively existing market channel for SDS, it is a function that tries to find the best solution within the different Schenker companies for the customers that have send in RfQ's that exceed 25 MSEK. Today this market channel frequently delivers proposals to SDS of varying suitability.

Drivers, obvious reasons for this market channel, is that the function Tender Management always sees to the best for Schenker and is a free support for SDS. SDS should try to use this channel as much as possible due to the fact that it is inexpensive and a natural market channel. The depth and magnitude of this market channel does not have to be controlled as much as the other two mentioned earlier since it is an internal function. Tender Management as a market channel enables SDS to take greater advantage of the power of the entire Schenker organization and its reputation as a trustworthy actor on the market.

The other most compelling reason to use this market channel is the physical location of the Tender Management function. With less then a two-minute indoor walk between SDS and Tender Management, a superior competitive advantage should be able to be established. SDS needs only to increase the knowledge among all Tender Management personnel about the kind of companies that are suitable at SDS.

Facilitators that enhance this market channel are the possibility trough informal quickly determine and investigate customers' RfQ suitability. The Tender Management personnel ability to identify if a customer has the necessary top-support for a complex solution like SDS service or if the RfQ is just a quotation for finding the cheapest transport alternative available. The strength that both SDS and Tender Management work for the same organization with mutual goals should terminate all risk of mistrust of the other partner in this market channel.

One drawback with the Tender Management function is that their work is only to distribute and not to follow-up and be an active part of the outcome. The lack of follow-up possibilities for Tender Management increases the risk of that they distribute RfQ's to the inappropriate function or company within the Schenker group. Therefore knowledge among the personnel at tender must be very high regarding what the different functions and companies are capable of and suitable for.

When and if there is a gap between what a function or a company is capable of, and what Tender Management believe the very same is capable of, and the chance of that a customer is offered the right solution is slim. If the gap mentioned is not discovered it will most likely result in bad-will for the Schenker group, since those customers with RfQ's exceeding 25 MSEK will not be properly treated.

This potential gap, seen from SDS point of view, results in that the personnel at Tender Management recommends unsuitable companies with high beliefs that they will presented a solution to their RfQ. The high number of non-fitting RfQ's' delivered by Tender Management interrupts the daily business at SDS and increases the risk that scarce resources are used on the wrong RfQ.

Joint activities and processes, referred as **Components** are, mutual business culture which ease the relation between the members in the market channel and the obvious strength that customer which RfQ is send to Schenker is responded by a Schenker company. A Company that has history of working with Schenker is used to the business process and communication tools used increases the smoothness of the customer contact within this market channel.

7. CONCLUSIONS & RECOMMENDATIONS

In this chapter the authors will present their final conclusions and recommendations generated through the research conducted to solve the stated problem, which is presented in chapter one. The recommendations should work as guidelines for SDS executives in a first step of improving the company's marketing strategies.

Throughout the thesis the authors have had what would be best for SDS in mind. This has influenced both the course of action taken through the thesis, and the commitment to solve the stated problem. The more focused the authors got concerning the problem statement, a clearer picture emerged with regard to the underlying causes of the main problem. This captured the interest of the authors, who instantly began to seek new possibilities to look beyond the initiated problem approach to find the optimal solution.

The hard values discussed in the analysis will initially be covered here in this section. After this the conclusions regarding the three different market channels will be presented in conjunction with the soft values.

The ruling out procedure delimits markets that on a broad level do not fulfill the suitability sustainability requirement of a SDS service offer. The selection criteria set up should not interfere with the overall ethical guidelines of the Schenker group, and the vision, mission and goals of the SDS Company.

To identify the criteria that a customer must fulfill, the marketing selection process presented in the analysis gives a well-defined framework to use. The selection process of the "hard values" should be seen as an early step to narrow down the number of potential customers and should work as a frame in an initial phase.

The hard values that can be identified through the use of the selection process should only be seen as a start-up guideline that gives SDS a framework for potential customers. The "hard values" that are used today within SDS are developed through a long period of time by the management and are used in this thesis as a frame to evaluate these factors.

If a company shows a strong commitment to an out-sourced solution based on a dedicated network, SDS also needs to look beyond the hard values to assess the business potential of the company in question. Negotiations between companies should proceed even if not all factors are fulfilled in the selection process but the company shows a strong willingness to cooperate. Initially the business deal

should not be about network solutions or price discussions, but rather about whether the two parties would benefit from a cooperation or business partnership in the first place. If this is the case, there should be no obstacles on the way to a successful cooperation. This conclusion is based on the authors' earned knowledge that many companies are skeptical and anxious to "give away" the control of all their logistic activities at once to a sole provider of transport services. Therefore, a suitable strategy for SDS in such cases would be to start small and expand the business jointly with the customer instead of letting the customer go away at once. In addition to this, most successful partnerships are negotiated and agreed on at top management level, which also takes away the doubts to out-source functions within the company.

What the authors believe has been a contributing factor that has resulted in the long lead-time connected with selling the service concept offered by SDS, is that they have not paid enough attention to the "soft" customer characteristics. Even if a customer has the potential to fit into a SDS network solution regarding the "hard values", does not mean that the customer is suitable in terms of the "soft" values. Important for SDS in the recruitment phase is a higher focus on the soft values to identify factors such as the history of out-sourcing within the company, personnel involved in the project, if the project is a strategic decision within the company or not, etc. These factors are very vital for a successful partnership and if not enough attention is dedicated to these parameters it can result in a long lead-time due to different unpleasant surprises. In the past, SDS has encountered a number of such surprises, and the experiences were very expensive for the company both in cost and time resources.

The authors' reflection regarding what market channels SDS should focus on when actively seeking new customers have been fairly clear after the experience gained during this project. Instead of focusing on developing a "measurement tool" to use as a selection filter towards potential customers, the authors took one step back and tried to find the overall problem. Not only focusing on the "measurement tool" gave room for new ideas and creative thinking for new possibilities. When identifying this shift of thinking, conclusions that changed the course of action taken that permeates this thesis were generated. Three market channels were identified and determined to be the most promising ones for the marketing of SDS' services. The evaluation of the different market channels, Key Account Managers and External Consultants showed a higher access to important information and a reliability that makes it easier to focus on the soft values of the customer. Factors of importance for SDS when focusing on these softer values, such as management similarities, or the degree of strategic and logistic maturity that has driven the customer to seek an out-sourced solution, is essential to a successful outcome.

These characteristics are hard to analyze when there is no existing relation between the companies as in the Tender Management scenario.

When SDS operates through these channels it is important to present to the customer the benefits that a dedicated transport network and the additional services could result in. The fact that it is a dedicated network could be seen as a costly solution, therefore it is important that the issues of value from the customers' point of view is presented at first, and then explained how these are accomplished by a dedicated solution. The authors believe that the customers are more interested in what they can gain, and not how it is managed. This means that the sales approach has to be more focused on what the customer can gain from a more efficient network solution and a total cost reduction within a certain period of time. These negotiations are successfully conducted on a high strategic level and will generate a faster business deal than if the deal were to be executed by a person at the company with no strategic involvement. Therefore it is, once again, very important with top management support between both companies at an initial stage of the marketing process.

Tender Management

Regarding the Tender Management channel, the authors' conclusion is that this channel is not being used at its full potential at this time. Through several interviews at both Tender Management and SDS concerning this market channel, some mutual misunderstandings were identified.

The lack of communication between SDS and Tender Management needs to be addressed and resolved immediately. This means that there is a need of improved internal communication between the two parties. The complexity of SDS' service offer requires a high understanding among the personnel at Tender Management regarding the important customer characteristics. If this knowledge is not adequate at Tender Management, costly time and effort may be wasted on RfQ's that are of no interest to SDS, and never should have reached the SDS organization in the first place. This means that the communication between SDS and Tender Management is a vital part for a successful outcome of this market channel. The authors believe that the management at SDS today are not distributing their ideas and knowledge clearly enough to the personnel at tender management in terms of the customers characteristics that should be fulfilled before an RfQ is of interest for SDS to consider. This means that for a successful relation between the two parties it takes more information and guidelines from SDS to specify customer characteristics to achieve the most.

Due to the fact that a top management decision of out-sourcing the transport function is of highest importance for SDS, Tender Management must be able to

identify this when analyzing the RfQ's received from potential customers. This can be accomplished in some cases, but not always with the highest credibility and this means a certain risk for SDS when this factor is unknown.

In order to overcome the existing problems, SDS could consider the following ways.

One scenario is that the relation between SDS and Tender Management should become tighter and the process of identifying customers should be done with a higher degree of cooperation. More detailed guidelines from SDS regarding criteria concerning both hard and soft values that a customer should fulfill are essential for a successful relation between the both parties. These criteria's should be communicated to Tender Management, to continuously increase their awareness of SDS and their future potential customers. This requires some dedicated resources at SDS that should partly be focused on handling the contact with Tender Management with authority to prioritize these kinds of requests and generate qualitative solutions in a short time of period.

Another scenario that the authors see is that SDS has not the resources needed to establish an optimal cooperation with Tender Management at the present situation. To handle RfQ's requires a lot of resources from SDS that today is needed elsewhere within the company. This leaves SDS one option and that is to temporary dissolve the relation with Tender Management to concentrate on other channels. This could be a solution until SDS has grown in terms of customers, since a larger organization will possess the resources that could handle the RfQ's generated from Tender Management. It is also important to remember that one positive reason for SDS to use the Tender Management function in the future, is the fact that it is a free promotion agency for the Schenker trade marks and companies that should be fully taken advantage of. The authors believe that this channel can with relatively small efforts in the future distribute more accurate RfQ's to SDS. In short, the authors believe that this channel could be recommended in the future when more resources are available.

Another reason why the author's do not see Tender Management as an optimal market channel for SDS is that RfQ's often consist of a price request for a complete solution. Since the SDS concept involves being a part of the design process of the customers network solution and then calculate the transport price for operating it, SDS often enters the sales process too late. If customers have hired some external company to design the solution they might not be capable of accepting other solutions designed by SDS and might not even have the authority to make a decision if a new solution should be considered.

Another question that could be asked is if SDS is even supposed to answer RfQ's in the first place? During the time of the research the authors have earned the knowledge that the best way for SDS to generate the most optimal solution is to be involved in the out-sourcing company's initiating decision to find a better solution for the company's transport needs. This early involvement in a company's restructuring of the transport need is difficult to achieve when responding to RfQ's generated from Tender Management.

The authors also believe that some channels need to be ignored to be able to focus on and dedicate all resources to the chosen channels that are believed to generate the best future business deals. This means that some potential customers must be ignored to only focus and target on the chosen ones with the believed highest potential.

Key Account Managers

The market channel referred to, as Key Account Managers is believed to be a more promising alternative. The reasons for SDS to actively work closer to the functions called KAM and GAM could be summarized as follows.

An account manager representing a key or global customer already has the necessary understanding regarding the customer that is difficult for an outside company as SDS to identify. The authors believe that by informing the Account Managers about the SDS service, the Account Managers can easily identify business potentials at today's Key Customers. When Account Managers are knowledgeable about SDS and see their business offer as a part of the Schenker product portfolio for serving customers, a very promising market channel is initiated.

A main reason for promoting this market channel is that customers at Schenker that today are classified as Key or Global Accounts often have sufficient volumes and a good geographical dispersion within Europe to be considered as prospective customers for SDS. In addition to this, there are in many cases relations on a strategic level between the customer and the Account Manager at Schenker. This is, as mentioned before, a vital part for a successful relation between SDS and a potential customer.

The customers' characteristics regarding management philosophy and logistical maturity are already known or easy to identify with help from the present Account Managers. The transport volumes and future potential of the customer is information that is easier to learn and analyze when a business relation between the customer and Schenker already exists.

Through integrated efforts, and a closer cooperation with the Account Manager, the clients can be analyzed in an initial phase without any direct contact with the analyzed company. This will make it possible to work more efficiently and save time, since the customer does not even have to be involved in the initial stages of the process. If a good match between the two parties is found, a contact can be initiated. Working proactively towards customers will also affect the Account Managers in a positive way and also generate increased goodwill to Schenker.

By closer cooperation and integration with the Account Managers could lower the total lead-time for SDS and at the same time generate additional revenues for the company.

Another reason for exploring the possibilities of using Account Managers are is that existing customers already have a high level of confidence in Schenker and that existing customers are not as sensitive as a new customer when the business relation already has been established. This generates a mutual understanding for factors like pricing adjustments, networking improvements etc.

If this market channel will be used, the management at SDS needs to investigate whether this course of action interferes with any internal Schenker guidelines regarding if a customer should continued to be managed by the Account Manger, or if the customer can 'taken over' by SDS. The authors believe it is important that stated guidelines concerning the authorization towards the customers are clearly defined, to avoid both internal and external confusion.

To summarize our thoughts concerning this market channel, the authors see a great potential in a closer cooperation with the Account Managers. The authors believe that SDS should take advantage of Schenker as much as possible as long as they are not a bigger actor on the market.

External Consultants

The final market channel presented, as a possibility for SDS to minimize the cost and time spent in the customer recruiting process is the market channel referred to as External Consultants.

The main reason for this recommendation is that the large consultant firms to a large extent have the target markets as SDS. That means large companies operating on international level that likely will seek recommendations or solutions to complex logistic and transport problems through consultant companies.

When SDS has earned the trust of consultants firms and establishes business contacts within these companies, the SDS service concept needs to be presented to these companies as an exclusive solution for companies that have realized that they have much to gain when seeking a complete transport and logistic partner. A dedicated effort from SDS to spread the knowledge among these large consultant companies about the service potential that SDS represents may lead to customers with high potential are recommended to SDS through the external consulting firms.

Another reason for the authors' belief that this is a market channel with high future potential is that a business relation with external consultants is mutually beneficial. One way to point out this mutual beneficial situation is presented below.

External consultants need to continuously update themselves in terms of the changing business environment and the market actors that exist in their fields of expertise. They need business relations with suppliers to their services so that they are confident that they recommend the right solution for a customer. If SDS takes advantage of consultants as a market channel that generates customer contacts and becomes one of the companies that consulting companies strives to have a business relation with, then SDS could gain from consultant firms' ability to earlier identify a customer's need for reconstructing their transport and logistic solution. The consultant company might be the initiator of a strategic change that affects the demand for a service like the SDS offer. With external consultants as a market channel SDS could get contacted in the right phase on the right strategic level in a way that is not possible through the current market channels.

According to the authors, there are two possibilities for SDS that should be thoroughly examined and evaluated. The first is to establish a close business relation with one external consultant agency to become their preferred supplier of transport and logistic solutions. The second alternative within this market channel is to establish a higher knowledge among a larger number of consultants companies about the SDS capabilities. This should be done through information about SDS to these consultant companies in different forums.

This second alternative is a more passive way of using the potential of this market channel, however SDS's independence is not affected when there is no closer business relation established with just one company.

To be recommended by any highly regarded consultant firm is free marketing and a market advantage that a small company like SDS should welcome before they have grown in terms of customers and recognition on the market.

The authors believe that this market channel has a great potential in the future if SDS decides to dedicate resources to establish a well working relation.

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