TOWARDS IMPROVED CUSTOMER SATISFACTION AND RETENTION IN THE SUPPLY CHAIN: AN EMPRIRICAL STUDY

Claudine A. Soosay, Faculty of Business and Informatics, Central Queensland University, Rockhampton 4702, Australia, Tel: +61 (0)7 49309334, Fax: +61 (0)7 4930 9777
c.soosay@cqu.edu.au
Paul W. Hyland, Faculty of Business and Informatics, Central Queensland University, Rockhampton 4702, Australia, Tel: +61 (0)7 49232203, Fax: +61 (0)7 4930 9777
p.hyland@cqu.edu.au
Phil Bretherton, Faculty of Arts, Humanities and Education, Central Queensland University, Rockhampton 4702, Australia, Tel: +61 (0)7 49306753, Fax: +61 (0)7 4930 9777
p.bretherton@cqu.edu.au

Abstract

Organisations in supply chains face challenges in achieving competitive advantage. With the growing affluence of customers and rising standards of living, it is imperative for organisations to find strategies to continuously attain high levels of customer satisfaction (Morgan, 1996). This may entail customising products and services and various activities to meet individual customer needs (Wheelwright and Sasser, 1989; Lado et al, 1992; Hayes and Pisano, 1994). The objective of this paper is to investigate the initiatives developed to enhance customer satisfaction and retention in Distribution Centres as a service-centred view of relationship marketing. The empirical research involved detailed exploratory case studies of ten Distribution Centres, primarily employing qualitative data collection and analysis methods. Semi-structured interviews were conducted with twenty-three managers in these ten organisations together with visits to observe the operations of the Distribution Centres. The case studies showed firms' commitment to customer satisfaction and retention in various ways such as being flexible, anticipating demand, collecting information and identifying new and different ways to satisfy customers. This study provides insight into firm-based activities required to pursue competitive advantage in logistics firms and provide useful recommendations for managers who are seeking to develop competencies for successful marketing strategies.

Keywords: Relationship marketing, Customer satisfaction strategy, Logistics, Distribution Centres, Competitive advantage

Towards improved customer satisfaction and retention in the supply chain: An emprirical study

Introduction

Relationship marketing involves establishing, developing and maintaining successful relational exchanges (Morgan and Hunt, 1994). It comprises a marketing strategy that focuses on developing long-term relationships with existing and future customers, and through developing this capability, many organisations can reap the benefits and attain a competitive advantage over competitors. Firms need to understand their customers and how to create value for them. Firms provide products and services at reasonable prices. Customers expect value for money, supported by an acceptable degree of service. Secondly, the services provided have to be efficient and surpass competitors, in order to retain customers. The most important factors that make a real difference to attaining customer satisfaction and retention in logistics operations are being familiar, confident, and building lasting relationships with customers (Bowersox et al., 1999). This study investigates the relationship marketing initiatives adopted by firms in satisfying and retaining customers in the supply chain. The empirical research involved detailed exploratory case studies of ten Distribution Centres in two countries, primarily employing qualitative data collection and analysis methods. The data-gathering involved semi-structured interviews conducted with twenty-three managers in these ten organisations and visits to observe the operations of Distribution Centres.

Literature Review

There are various interpretations in the plethora of literature on what relationship marketing is. Relationship marketing definitions range from engendering a long-term, mutually trusting and profitable relationship (Grönroos, 1994; Gummerson 1995) that develops over time from favourable interactions between participants (Gummerson, 1987) to attracting, maintaining and enhancing a long-term relationship with customers (Hunt, 1997, Berry, 1983), through to offering comprehensive, high quality services (Bennet, 1996). According to Morgan and Hunt (1994; p.22), relationship marketing is defined as all marketing activities directed toward establishing, developing and maintaining successful relational exchanges. While many firms devote considerable marketing resources to attracting new clients, more profitable activities may centre on retaining existing clients and increasing their purchasing habits. Relationship marketing offers a framework for achieving coordination between marketing, customer service and quality programs. The term ‘relationship’ was introduced in the services marketing literature by Berry (1983) to become a norm in western marketing (Palmer, 1997). Furthermore, increasing market level competition and consumer demands encourage marketing practitioners to consider alternative approaches such as market-oriented, customer-focused and relationship-based strategies to achieve competitive advantage (Payne et al, 1995).

A strategy that focuses on developing long-term relationships with customers and other stakeholders could result in competitive advantage for firms by aligning their products and services for their customers. Additionally, there would be direct benefits for customers from the products and services that are better aligned to their individual needs and wants.

Customer value and satisfaction are recognised as key components of most business strategies, and these are measured and managed by world-class companies (Liao and Chiang, 2005). They are defined as the outcome of a complex information processing system, which essentially consists of a desired-actual comparison of a customer's experience with a purchased product or service, and expectations with regard to the fitness of the product or service for its intended purpose (Herrmann et al, 2000). Customer satisfaction is often the primary goal of businesses. Satisfaction depends on anticipating customer needs, quick responses to customer orders and new products or service developments that meet or exceed customer expectations (Hughes, 1996).

The theory underpinning relationship marketing is that it is more than a series of repeated transactions and value exchanges. This is because social and economic bonds may be built through the development of the relationship (Lehtinen and Mittila, 1995). Within a relationship, trust may exist between a client and the service provider (Strandvik and Liljander, 1994) while the structural bonds are ongoing adaptations of economic and structural value (Rao and Perry, 2002). It is believed that as a result of developing such bonds, the clients tend to remain with the service provider rather than find alternative sources of supply. Supporting this from a marketing perspective, Vargo and Lusch (1994) advocate that new marketing perspectives have emerged that have a revised logic focused on intangible resources, the co-creation of value and relationships. The move towards a service dominant logic is grounded in an increased focus on operant resources and specifically on process management. Moorman and Rust (1999) suggest that firms are shifting away from a functional marketing organisation and toward a marketing process organisation. This service-centred view is customer oriented and relational. The common attribute of this view is of exchange that is driven by the individual consumer's perceived benefits from potential exchange partners' offerings. In other words, they need services that satisfy their needs (Vargo and Lusch, 1994).

Additionally, Srivastava et al (1999) assert that firms consist of three core business processes: product development management, supply chain management and customer relationship management. As a result, marketing must be a critical part of these processes that create and sustain customer and shareholder value. In the supply chain, customer satisfaction is achieved when firms have enduring, long-term operations or dealings, and form unique relationships with their customers. There are several core concepts for effective operations: creating value through collaboration, selecting and effectively utilising the appropriate information technology, enhancing individual effectiveness, and generating flexibility (Bechtel and Jayaram, 1997; Anderson and Lee, 1999; Manheim, 1999). Bowersox et al. (1999) maintain that competitive advantage and innovative efforts can arise when the firm is able to sustain satisfaction of strategically important customers. Also, a segmentation approach allows organisations to handle customer diversity by focusing resources on particular customer groups (Choffray and Lilien, 1978). Major customers typically have differing needs and will need superior services; otherwise they will eventually turn to competitors who can serve them better. Firms should possess the capability to satisfy this important segment (Bowersox et al., 1999; p.33). This capability has the potential to help businesses fine-tune their customer offerings and develop a competitive advantage, as well as aiding the process of resource allocation and strategic planning (Hansen, 1972). Successful organisations providing logistics services are aware that customers' needs are always shifting with competition, market conditions and other factors. Through innovation they keep up with such changing needs to ensure customer focus (Bowersox et al., 1999; p. 35).

RESEARCH ISSUES AND METHODOLOGY

In investigating how logistics firms satisfy and retain customers to achieve competitive advantage in the supply chain, a qualitative approach was taken and the exploratory nature of this research question gave rise to an iterative process of data collection. Research such as this conducted within the qualitative paradigm is characterised by its commitment to collecting data from the context in which social phenomena naturally occur, and to generating an understanding that is grounded in the perspectives of research participants (Bryman, 1988; Lofland, 1971; Marshall and Rossman, 1995; Miles and Huberman, 1984). The qualitative approach encourages the development of practical and theoretical understanding, as well as the generation of new and alternative theories or concepts (Bygrave, 1989). In this study, data were collected from participants in their working environment using semi-structured interviews. This method allowed the capture of data rich in detail about the research problem; and gave us the flexibility to explore additional issues raised by participants.

An iterative process of data collection was adopted by conducting ten case studies consisting of interviews with twenty-three managers at Distribution Centres in Singapore and Australia. Case study research may be used to describe a situation, but more often it is to understand how or why events occur (Yin, 2003). As adopted in this study, data came from primary sources by direct interviews with managers in the selected organisations, with the main intention being to comprehend how these firms achieved and maintained customer satisfaction. The research questions in particular were what initiatives were used to satisfy and retain customers in the firms studied? What performance indicators were adopted to maintain customer satisfaction? What is the nature and outcome of a customer satisfaction strategy? Did the strategy promote competitive advantage? The research takes into account the methodological recommendations of Tsang (1997) by trying to obtain productive accounts of customer satisfaction strategies in Distribution Centres from which theory can be built and to provide prescriptive findings from these descriptive accounts Tsang (1997). The firms investigated were from two countries and they have been identified as Firms A-E in Australia and Firms F-J in Singapore.

FINDINGS

Maintaining customer satisfaction

The organisations studied generally endeavoured to maintain a satisfactory level of customer satisfaction. Nine of them (except Firm I) achieved this through service delivery. During the interviews, the managers reinforced the importance of service delivery being accurate, timely and in full, so as to meet customer requirements and expectations. The efficiency of services was maintained through buffers ensuring goods were on hand when orders arrived and preventing out of stock situations. Firm G was very particular in keeping their assurances and agreements made with their customers. Firm J instilled a mindset in employees to achieve excellence in customer satisfaction. All staff had to attend an in-house training programme on handling customers and service quality.

Secondly, customer satisfaction was maintained by continuously building relationships with them. A close rapport with customers was imperative for obtaining information and feedback. Some of the firms organised informal social events with customers to maintain these relationships. At these events, they could discuss business plans and joint planning for the future, or listen to and resolve customers' issues. Firm F retained customers, kept ongoing relationships and treated customers as partners. The managers gave instances where sales personnel were expected to socialise with customers outside work hours in activities such as dinners, drinks and golf. They maintained that informal activities were important in collecting quality information and feedback. Firm I had specialised staff assigned to each customer to maintain focused attention on specific customers. This meant that a dedicated person from the Global Account Division focused on the business relationship with a particular account. Each person handled up to three customer accounts because their attention had to be very focused and specialised.

Performance indicators helped to assess if they were able to meet the requirements and expectations of their customers. Customers advised these firms about the service delivery and in which areas they needed improvements through measurement systems. The regional operations manager of Firm I noted that they jointly defined performance indicators with their customers. To ensure high standards of service delivery, five out of ten firms (Firms B, D, F, G and J) reported targeting zero-defect measures. These were used for delivery, order entry, picking orders and bar-coding. In addition, there was extensive documentation and standard operating procedures to ensure quality services to an ISO standard.

The literature also highlighted the importance and challenges in establishing customer satisfaction and maintaining customer loyalty. Scott (2001) maintains that it is important to build strong and lasting relationships with customers. Gerson (1992) states that those firms which develop a reputation of excellent service have to have a commitment to the service throughout the organisation that is consistent over time. Firms have to constantly maintain satisfaction because satisfied customers will not remain satisfied forever (Miller, 1993). By building relationships with customers, employees can provide the fresh perspective and creativity they gain from interacting with customers (Mouawad and Kleiner, 1996).

Collecting information to anticipate future needs of customers

To anticipate future needs, the firms collected information directly from customers. This was done through establishing and maintaining good relationships. The managers reiterated the need to be constantly in touch with customers. The employees in these firms regularly met with customers to plan and forecast future needs. Customers usually stated their wants and expectations. Firm E obtained information on customer plans and feedback from informal meetings and social gatherings. The operations manager in Firm F expressed concern that in the future, ICT will be a major issue in meeting customer requirements. He reiterated that customers will expect improvement in technology and Firm F will have to compete with big players such as United Parcel Services and Federal Express in the logistics industry.

Firm H set up customer service departments to ensure customer retention. The highly trained employees in these departments provided assistance, understood customers' needs and communicated with them. Similarly in Firm I, a competency centre handled customers and obtained information from them. Firm G obtained information about customers through external sources. They cooperated with large players and leaders in the electronics and computer peripheral market. The firm co-invested with them in the areas of Research and Development as well as in technology. This enabled them to anticipate customer demand. Similarly, Firm A obtained information through their suppliers. The general manager explained that they continuously source new innovative products. The suppliers help to keep them abreast with market and customer needs, and new products through their market research.

Another important source of customer information is through performance reviews and indicators. The firms collected information through assessing past orders, the history of customers, trend analyses and customer surveys. These enabled the firms to predict future needs and expectations. Other firms obtained information through professional bodies and industry associations (such as the Singapore Logistics Association), which organised seminars, conferences and distributed newsletters. Four out of the five Singaporean firms studied were members of this association.

Amidon (1999) advocates that firms have to envisage the future needs of customers in order to maintain satisfaction. A focus on the success of customers helps to identify future unarticulated needs that are the source of growth and future success. Boer (2002) also wrote that firms can be operationally effective by satisfying today's customers needs, using exploitation capabilities whilst at the same time be strategically flexible in meeting future customers needs using exploration capabilities. The firms in this study were proactive in determining future needs of customers through the various strategies and methods deployed. They constantly monitored and interacted with customers, as well as reviewing the levels of services provided.

Identifying new and different ways to satisfy customers

All ten firms adopted initiatives for identifying new and different ways to satisfy customers as each firm wanted to provide superior services. The logistics manager in Firm G argued that his colleagues were customer-oriented and often devised strategies for pricing, delivery and quality of products for customer satisfaction. Other firms identified improvements through maintaining relationships and obtaining regular feedback from customers. The firms were able to gauge the demand patterns, and were able to see the strategic directions of customers. For example, every customer in Firm B (in the automobile industry) was analysed separately, so that there was better focus on specific problem areas. Some customers required specialised services and fittings to their cars. In Firm E, the human resource manager maintained that by benchmarking against competitors, the firm was able to set higher standards and surpass others in the industry in terms of customer satisfaction. The managers in Firms D and J also mentioned that they analysed competitors and engaged in 24-hour operations, or worked during weekends in the Distribution Centre for more efficient order fulfilment. Other firms stated that they needed to keep up with new developments in the industry so as to formulate new and different ways to satisfy customers. The managers in Firm J explained they did this by attending seminars, conferences and events organised by external organisations.

Firm H devised a new system in their container trucking using a Global Positioning System (GPS) and the mobile phone GSM network. It incorporated technology for the container trucking industry where the system is installed by the driver's seat of large trucks. They were able to locate the truck via satellite. Customers could then monitor the movement of their goods anywhere in the country via internet access. Firm F was the only firm that did not come up with new or different ways to satisfy customers. The managing director felt that the current level of services was adequate in satisfying customers at present. However, he argued that they were also sourcing and keeping up with competitors and big players in the market.

Authors such as Kassing (2002) suggest that embarking on a more thoughtful way to satisfy customer and retention goals requires time investment, talent and a pre-determined focus. It was evident that most of the firms constantly came up with new ways and methods to retain their customers. In order to do that, they needed to understand the customer and analyse the benefits of being unique in their provision of services. The firms focused on new and different ways in terms of their processes, relations and strategies, so as to provide timely delivery and meet the needs of their customers. Vargo and Lusch (1994) also state that relationship building with customers becomes intrinsic not only to marketing but also to the enterprise as a whole. All employees are identified as service providers, with the ultimate goal of satisfying the customer.

Being flexible and adaptive to unique requests

The managers interviewed considered their firms flexible and adaptive to unique requests. However, they cautioned about the risk of inflexibility when there was process standardisation. They advocate the requirement to adjust to customers' needs. This was implemented through dedicated staff who were flexible and responsive to customers' requests. In this regard, many of them gave the example of fulfilling orders within a restricted time period, causing staff to work overtime or longer hours. The Distribution Centre in Firm C operated 24 hours a day when required. By this flexibility, they had the opportunity to expand operations. The logistics and warehouse manager at Firm G stated that they had to consider cost and time factors, and build into the service charges for customers, whereas Firm H normally gave a quotation first.

Firm J met such requests through conservative planning and forecasting with the logistics manager ensuring efficient management of materials, suppliers and inventory. An example of flexibility was the timing of delivery. Employees would deliver services at odd hours just to satisfy customers. He cited taking a freight container at night to the wharf so that customers could receive it the next day. The general manager of Firm B reinforced the importance of flexibility adding value to processes. They tried to incorporate requests and modify processes to fulfil customers' requirements. In one refrigeration business, the warehouse manager of Firm E stated that customers sometimes want to change the temperature for storing their products such as cake, meat, carcasses, cheese and ham. They have to be flexible to meet different storage requirements of the different goods. So they adopt different chiller temperatures for different types of goods. However there is some rigidity within limited temperature brackets. The goods have to be classified according to chiller groups (e.g. minus 25 degrees to minus 18 for ice-cream).

Providing logistics services is a very competitive and demanding job. Firms try to surpass each other in terms of their service provision. Organisations have to weigh the costs and benefits of being flexible and adapting to needs. Various authors highlighted that organisations that are flexible can reap benefits and have a competitive edge. Managers have to be aware and adapt existing structures and practices to develop a more open and flexible system (Abbassi and Hollman, 1991). On that account, logistics organisations will have to move from a bureaucratic mode to a responsive mode, to deliver value to the customers, and this necessitates being flexible, lean, and yet able to satisfy customers (Mohanty, 1999). Similarly, firms should remain flexible in forming the 'right' type of relationships with their business customers, and this can be achieved through mutual adaptations (Ahmad and Buttle, 2001). The firms interviewed generally tried to fulfil the customers' expectations and be adaptable to the needs of their customers. Adaptiveness is the core of flexibility that ultimately reaps competitive advantage for the firm.

Accommodating unexpected situations

It was apparent during the interviews that the firms handled unexpected situations in different ways. It was common for the managers to mention conducting regular planning sessions and meetings to handle contingencies. In Firm I, business impact analyses were conducted to explore the magnitude of natural disasters affecting the business continuity of customers. Having several branches worldwide, the firm had to make advance preparations in case of disruption such as floods, fires or any natural disasters.

The managers in Firms F and G also maintained that they had effectively planned for contingencies with training, and experienced employees. Employees in Firm A put in extra effort to look for particular products that customers requested. Employees in Firms B and D went out of their way to ensure smooth operations. Employees in Firm G were placed on standby in case there was a plant breakdown or emergency. The employees were deployed to work overtime so as to fulfil customer orders. Some staff in Firm J were contactable 24 hours a day. They were trained to handle emergency and unexpected situations, and even had special clearance with customs and the airport to receive and transport goods at all hours. The manager cited an example where employees were required to personally hand-carry and deliver important products to customers overseas.

The managers were hands-on in the operations of the business and in handling unexpected situations. Sometimes they consulted senior personnel or called for emergency meetings to resolve such issues. The regional manager in Firm C confirmed that the main issue is for core activities to be well-organised, all the time, so that when something unexpected arises, they (employees) are in a position to be able to stretch a bit more to do extra activities. Communication was also a key factor within departments as well as with customers to help them deal with such situations.

All organisations face unexpected situations at some time or other, and effective planning and execution are essential. Firms need some form of contingency plans for unexpected situations (e.g. zero downtime, prompt order fulfilment). Contingency plans should ensure the continuing operations of the Distribution Centre with minimum recovery and restoration time. From these interviews with managers, it can be inferred that most of them adopted a flexible mindset, seeking additional information on the future, exploring the validity of current expectations about the future, and engaging in contingency planning. While it is true that the future can never be projected with certainty, managers should manage Distribution Centres in this regard for future competitive advantage and seek to satisfy customers.

Forecasting demand

Only one firm did not forecast demand extensively because their inventory was dependent on market fluctuations, shortening product life-cycles, and obsolescence. However, their customers shared information on inventory management and purchasing to some extent. The other nine firms forecasted demand. There were various planning techniques used such as budgets, financial reports, key performance indicators, historical information on trends, statistical methods, regression analysis or computerised software.

For example, Firm H adopted People Scheduling and a Trucking System (PSTS). A three-day moving average was deployed for stock planning. The managing director in Firm J mentioned that their methods concentrated on the flow and product classification. This is where each product is placed in groups (A, B or C group with each sub-ranked from 1-9) and planned accordingly. Statistical and regression analyses were used to forecast product demand.

It is apparent that there was diversity in the methods adopted for forecasting demand in the organisations studied. This was due to the nature of the industry the firms were operating in, and the type of goods dealt with. To satisfy customers, firms needed to effectively forecast future demand such that there was adequate inventory at all times. It was crucial to plan for the future, have regular meetings and feedback from customers. These can assist firms to provide superior services and achieve customer satisfaction. The literature argues that forecasting demand (and subsequently setting inventory levels) is difficult, owing to the influence of promotions, changing demand patterns and competitive pressures. Stank et al. (1999) state that the traditional answer to inventory problems has been to simply hold increased inventory buffers. Holding high levels of buffer inventory may offer a way to avoid out-of-stock situations, but it is a very expensive method of managing fluctuations. They advocate that the approach is to work together with customers and suppliers to cooperatively plan and manage inventory (Stank et al., 1999).

Ensuring appropriate inventory levels

The organisations adopted varied methods of inventory management. For instance, Firm A conducted a daily stock-count whereas Firm D conducted it weekly. This was because Firm A dealt with bulky goods of less variety (such as building materials and timber) as compared to other firms that dealt with a wider range of goods, making it difficult to conduct stock counts frequently. Firm B which managed automobiles had to control their storage based on land space. Their customers were the ones that dictated the orders and inventory level. When the market was sluggish, cost factors became an issue for the Distribution Centres as it became costly to store goods. In this regard, Firm C minimised the amount of inventory on hand to two days supply only. Firms F, G and J adopted computerised systems and used mathematical formulae and modelling in determining the level of inventory. These were the various initiatives employed in firms to ensure appropriate inventory.

Customising services for customers

All the firms customised services to a large extent. Firms A and F had greater service customisation for smaller customers because they had more diverse needs compared to key customers who had repetitive orders in large volumes. They delegated sales representatives to cater to smaller customers. Similarly in Firm B, the services were customised extensively because customers of automobiles gave exact specifications for certain vehicle models which they had to adhere to. Firm C treated customers individually and catered specifically to each of their needs. Firm D gave some customers more leeway in terms of attention and special services. They also provide advice to customers, a list of their freight - what and when is coming. Firm E which dealt with refrigerated products had to tailor the storage temperature to the requirements of customers' products and their shelf life. Firm G, which was also a manufacturing firm, customised production schedules and inventory management to customers' needs.

Firm H on the other hand, grouped customers into different categories. 'Class A' or key customers were given more attention and specialised personnel were assigned to handle such customers. It was found that sometimes special documentation and paperwork had to be customised for these customers. Firm I customised their IT application and operating procedures to suit the needs of customers. Firm J provided customised services for customers in different countries. Different countries utilised different equipment when handling products. For example, products in developed countries were handled with state of the art technology. Products in developing countries (such as India, Bangladesh and Myanmar), were handled using more traditional methods and manual labour. They had to pack products in cartons and boxes, ensuring that the weight was suitable for manual lifting. Some companies located in India have very small and narrow staircases, or tiny cargo lifts, making it difficult to transport goods. As a result, they had to modify the dimensions of pallets and cartons to ease the handling requirements of customers. The case studies suggests that in logistics, there is customisation of services to some degree, ensuring a flexible system and giving firms the edge to be able to satisfy and retain customers.

Using Key Performance Indicators

The managers were also asked to indicate performance indicators used to ensure customer satisfaction. Each of the firms used a different number of measures. Table 1 shows that Firm G used fourteen measures to assess customer service. The logistics and warehouse manager in Firm G commented that the measurements helped improve knowledge on what customers find important and their perceptions. They can analyse the way customers perceive quality (outside-in) and take actions for improvement or innovation. Firm D used the least number of performance indicators out of the case studies. Table 2 shows the frequency of indicators used. Nine out of ten firms used on-time delivery to measure customer satisfaction. The second most frequent indicators used were cycle time, delivery consistency, customer complaints and overall reliability. Six out of ten firms used these to assess their effectiveness in customer service.

No. of KPIs used for customer service									
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**
4	5	9	3	5	6	14	7	7	9

Table 1: No of KPIs for Customer Service in each firm

Specific Key Performance Indicators	No. of firms
On-time delivery	9
Cycle time	6
Delivery consistency	6
Customer complaints	6
Overall reliability	6
Response accuracy	5
Overall satisfaction	5
Stockouts	4
Despatch errors	4
Response time to enquiries	4
Sales force complaints	4
Fill rate	3
Complete orders	3
Backorders	2

Table 2: KPIs used for Customer Service

DISCUSSION

This study investigated the initiatives adopted by logistics firms to ensure customer satisfaction and retention. The techniques and skills used by these firms form competencies that are critical to competitive advantage. Customer satisfaction is the key to continued organisational survival and as Teece and Pisano (1994, p.537) state, 'the competitive advantage of firms stems from dynamic capabilities rooted in high performance routines operating inside the firm, embedded in the firm's processes.' Along the length of the supply chain, organisations are seeking competitive capabilities that enable them to exceed customers' expectations and enhance market and financial performance (Lado et al, 1992). With the growing acceptance of logistics and supply chain management as critical business concerns, there is an emerging realisation that these firms face formidable challenges in developing organisational capabilities to provide exceptional operations. One of the abilities is relationship marketing to satisfy and retain customers.

In addressing the research questions, the study identified several initiatives and recognised that the firms were maintaining effective operations and exceptional service through collecting information, planning and forecasting demand, being flexible and providing superior services. Secondly, these firms also took measures to determine their performance through various indicators periodically. The nature and outcome of a customer-driven relationship marketing strategy enabled these firms to learn quickly in a dynamic and evolving competitive logistics marketplace. Quinn et al (1990) suggest that a maintainable advantage usually derives from outstanding depth in skills, logistics capabilities, knowledge bases, or other service strengths that competitors cannot reproduce and that lead to greater demonstrable value for the customer. These initiatives have resulted in the firms being competitive and successful.

Vargo and Lusch (1994) also prescribe the service-centred view of marketing as a continuous learning process. Firms identify or develop their core competences as well as identify existing or potential customers who could benefit from these competences. These firms then cultivate relationships that involve the customers in developing customised, competitively compelling value propositions to meet specific needs. Subsequently, these firms gauge marketplace feedback by analysing financial performance from exchange to learn how to improve their offering to customers and improve organisational performance (Vargo and Lusch, 1994). The study has identified all these factors as being evident in the initiatives adopted by the case studies. The managers interviewed acknowledged issues in customer segmentation and adopting specialised focused approaches for particular customers. In addition, there were extensive planning and forecasting directed at satisfying the customer. The firms reviewed their strategy and initiatives by analysing their performance periodically through the use of key performance indicators. By embracing their resources, assets, capabilities and competences, these firms have displayed efforts in creating sustainable competitive advantage.

Organisations need to look beyond customer satisfaction and retention, not only to stay competitive, but also to become more innovative. The rapid spread of knowledge has stimulated the creation of new products and services, and the development of sophisticated production and distribution processes. The requirements of customers are also changing with growing affluence and rising standards of living. It is therefore imperative for organisations in the supply chain to find ways to embark on strategies and initiatives to continuously meet customers' needs. This study provides insight for managers in logistics organisations and demonstrates how relationship marketing provides the perspective for firms' commitment to customer satisfaction in a variety of ways such as being flexible, anticipating demand, collecting information and identifying new and different ways to satisfy customers. This study makes significant theoretical contributions to the literature through extending the concepts of relationship marketing, customer satisfaction strategy and capability development for competitive advantage in the service-based area of logistics.

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