Evaluating customer loyalty in association with CRM in freight forwarder firms

Master’s thesis within International Logistics and Supply Chain Management

Author: Alican Akyuz
Trong Cuong Nguyen

Tutor: Anna Nyberg
Hamid Jafari

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Alican Akyuz                               Trong Cuong Nguyen
ABSTRACT

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TUTOR : Anna Nyberg
COORDINATOR : Hamid Jafari
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Introduction

Customer loyalty is one of the major issues that companies coping with in order to have a certain number of customers to survive and improve their businesses. The strategies of gaining loyal customers differ from one company to another according to their type of business. Since the customer loyalty is a branch of customer relationship management, this study aims to evaluate the activities of two freight forwarding companies for gaining loyal customers.

Purpose

The thesis aims to answer the following research questions;

- Which aspects in a freight forwarder that customer loyalty affects directly and indirectly?
- What kind of CRM’s activities that companies use to improve their customer loyalty?
- What are the benefits that companies can get from the improvement of customer loyalty?

Methodology

In this thesis, secondary data is used by utilizing journals, articles and books related to the topic. The primary data for empirical part is gathered through interviews with the operations managers of Link Shipping and Dragon Shipping. For our thesis, qualitative approach is followed by gathering written information rather than numbers.

Conclusion

The main conclusion of the thesis is the positive influence of customer loyalty strategies of freight forwarding companies overall progress. The outcomes of customer loyalty strategies not only help companies to gain loyal customers but also increase their reputation among the other companies. Relatively, for every freight forwarder it is crucial to have key accounts as their profit drivers.
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1. INTRODUCTION

1.1 BACKGROUND

Operating in highly competitive environment, international freight forwarders have to face with the change of environment background factors which can cause the change of both exporter needs and freight forwarder characteristics. Specifically, the changes in communication technology, includes integrated information and communication network, directly impact competitive business situation in particular and forwarding industry in general. This can be seen a premise for transforming the role of freight forwarders as well as expanding their scope to total logistics management (Ozsomer et al, 1993).

Although trading operations in international markets are not as safer as domestic market, freight forwarders still try to find and invest in new foreign markets. It seems like a paradox; however there are several reasons to improve these operations. Firstly, domestic business operations are competed drastically and there is no protection for these firms to keep their market share or their current advantages. Furthermore, the impacts of communication technologies are important in reducing risk in international business activities. For example, emerge of long-term relationship; partnerships alliances can create leverage for their business. Instead of providing separate solutions based on their core business, the cooperation between IBM Netherlands and Nedlloyd brought positive effects on their business in providing whole solutions for their customers included warehousing and international transportation.

As a sequence, freight forwarders must be aware of the necessity of changing their characteristics in order to adapt with the current environment and compete with other firms in forwarding industry. This process can lead freight forwarders to ‘total logistics management companies” but it can be performed by different ways and in different levels (Ozsomer et al, 1993).

With the global competition today, many organizations have realized the need of having overall customer problem solutions inside and outside business. Some of them have redesigned their strategic business base on customer. Peter Drucker stated that creating customers is the purpose of a business. It also aims to the necessary of building a depth relationship with current customers, keeping them and attracting new customers. With that context, customer relationship management (CRM) has been developed as a sequence and seen as an implemented strategy for customer interaction management. It have been defined as “a business strategy that can effectively executed through the appropriate business process and technology man-
agement capabilities that best match to an organization’s customer-facing goals” (Francis Buttle, 2009).

On the other hand, Anderson & Kerr (2002) defined CRM as “the single strongest weapon you have as a manager to ensure that customers become and remain loyal”. They stated that employees are the most important factor for enhancing or hampering the performance of business strategy. Getting the jobs done effectively, the manager can turn data into information and transfer it into customer satisfying actions. This can be done and can be a key for business success although organization’s customers are internal or external, business or end customer.

Although CRM have an integral importance for many organizations base on the combination of business process, software and business strategy, it is not a guarantee for business success. An illustration of this is ELMS, a manufacturer in United Kingdom. When they were facing with global competition, they decided to use CRM to terminate the situation of losing key customers. However, they couldn’t achieve the result as they expected. They failed in applying CRM model in their business. In fact, another study showed that only around 30 percent of companies got the improvements for their business. With these businesses, they realized that CRM is not just only a tool for them to achieve customers target, it is also a holistic strategy in business with placing customers at heart. A leading business daily in Denmark, Dagbladet Borsen, is one of the companies that succeeded with CRM by combining factors of “hard” CRM skills, such as situation report, analysis and strategy formulation and “soft” CRM skills, such as commitment of senior management, management development, employee involvement and evaluation of loyalty – building process.

The link between CRM and customer loyalty is consists of several aspects depending on the type of business concerned. According to Darrell K. et. al. 2003, in order to build strong relationships with customers, companies need to make sure that their job descriptions, performance measures and compensation systems are consistent with the customer strategy. Darrell K, 2003) also states that the proper use of CRM systems will lead to solid, permanence and profitable customer relationships in long-term.

Before implementing a CRM system, companies need to determine their strategy by asking themselves several questions to clarify their purpose better. These questions may include; who are our most profitable customers, what makes them more profitable, what do they buy from us not from our competitor, how can be improve our business to make them more profitable customers and how can we manage to cut costs for serving less profitable customers. After
finding out answers for the questions to shape the business around (customer segmentation), it may be the right time to implement CRM to gain loyal customer in this sense.

CRM software is a tool for companies to analyze the customer revenue and cost data as well as to identify the current and future profitable customers. In that sense, CRM is a useful tool for gaining loyal customers because of its customer focused features. On the other hand, since customer loyalty is based on communication and relationship between individuals, it is not all about CRM software. CRM has a direct influence on customer loyalty but it should be blended with human communication in order to make the information gathered from CRM valuable. Basically, customer loyalty is a matter of trust from both sides which can be built over time with balanced pressure. (Darrel K, 2003)

1.2 PROBLEM

Christopher (2003) states that customers should be put at heart when a business intends to use CRM as a holistic strategy. This holistic approach will help companies increase the coordination and effectiveness of communication channel, disparate customer contact points.

The second issue is CRM sourcing. Christopher (2003) states that it is important to identify the right customer groups for current situation of business and which group should be eliminated. He also suggests two kinds of customer groups should be considered. The first one is transaction customers which are refer to capricious customers. They have poor loyalty and demands for the best price. The second one is relationship customers which are willing to pay high price for products and services with potential loyalty.

The final issue that Christopher (2003) point out is the ability to deliver the strategy successfully. Through the case study of ELMS, the author showed some problems that a business often meets when applying CRM. The lack of knowledge to the concept of CRM can cause the main reason for the collapse of this campaign. Furthermore, problems might occur at operational and analytical level, such as the manager relies heavily on the commitment of the key employees to resolve issues. Besides, failing to appreciate the significance of using CRM to effectively target customers and difficult to move to a process orientation can be seen as some barriers for organizations.

On the other hand, R. Irina and F. Buttle (2006) believe one of the essential requirements for a successful CRM is adopting customer centric culture. It plays an important role in communicating with customers. The need of sharing customer data, account data, marketing data, in-
ventory data prevent conflicts which can be occurred over the issue of data or system ownership (Eichorn, 2004). Furthermore, the authors also mention about the other critical organization culture issue. This can allow people to resolve customer’s problem by using their own initiative. Besides that, risk – taking, which can be create from organizational environment, can help employees interact with customers in the best way.

Contrariwise, based on Francis Buttle (2009) viewpoint, he shows some misunderstanding that appeared in process of applying CRM. Firstly, people think that CRM is database marketing. In fact, data can be collected from several sources and the use of CRM base on these data but emphasize on strategy, operation and collaboration.

The next one is the misunderstanding of CRM as a marketing process. CRM software applications are not only used for supporting marketing activities but also supporting business mission. Operations management is based on customer related data for integrating internal departments and sharing with other suppliers or partners.

Thirdly, CRM is an IT issue. In fact, many businesses use CRM IT system for storing data of customers, such as names, addresses, buying history, some other use it for orientating tactical operations. IT investment is not always included in CRM initiatives in some companies and IT may have no important role at all in some other.

Finally, CRM is about loyalty schemes. Loyalty scheme is crucial, especially in some industries such as airline, food retail or hotel. It plays different roles in CRM implementations. Francis Buttle (2009) indicates that “they generate data that can be used to guide customer acquisition, retention and development” and “loyalty schemes may serve as an exit barrier”.

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1.3 PURPOSE

The purpose of this study is to demonstrate the effect and importance of customer loyalty through CRM in freight forwarding companies by using real-time cases.

1.4 RESEARCH QUESTIONS

We formulated three research questions which are going to support clarifying our purpose better.

- Which aspects in a freight forwarder that customer loyalty affects directly and indirectly?
- What kind of CRM’s activities that companies use to improve their customer loyalty?
- What are the benefits that companies can get from the improvement of customer loyalty?

1.5 DELIMITATIONS

In this paper, we present an overview of CRM’s activities and its effects on customer loyalty in freight forwarding companies in general and in Draggon Shipping and Link Shipping in particular. We are not able to measure the customer loyalty level. However, we use data from the two companies to analyze some factors that affect their customer loyalty. Besides that, studying about CRM’s operations that the two companies use for their business process will clarify our analysis.

2. FRAME OF REFERENCES

In this chapter, initially, definitions of freight forwarders are going to be analyzed by employing several sources and this information will includes both empirical and theoretical background. In the following section, role of transportation in general is going to be explained. Thirdly, the characteristics of freight forwarder’s customers will be presented. In the following section, customer relationship management concept will be presented by defining CRM, its effect on customer loyalty, benefits and barriers in integration of CRM and the implementation process will be analyzed in detail.
2.1 FREIGHT FORWARDER

2.1.1 DEFINITIONS OF FREIGHT FORWARDERS

Freight forwarder firms are a kind of logistics intermediary companies. They operate in a wide geographical coverage with a large number of customers in different industries. Therefore, they rarely focus on any particular fields in industrial supply chain (L. Cui & S, Hertz). They are considered as economic agents who complete transaction with their customer by purchasing from suppliers and sale to their customers (Daniel F. Spullber, 1999). They organize shipments for their customers (individuals or companies). In another words it is an agent that provides service in means of consignment for its client’s name or for itself (Burkovskis, 2008). Carrying out a shipment has several steps which freight forwarders are responsible to fulfill. These steps include, preparing necessary documentation, arranging vessel space, undertake freight charges and arranging port activities. With the expertise in cross-border trade, freight forwarders have become one of the key intermediaries in the global market (Murphy, 2001).

Khooban (2011) stated that freight forwarder is one of three basic kind of transportation participants which are shippers (freight forwarder firm belong to this participant), carriers and government. FFFs has a closely relationship with carriers and their operations are affected by government’s decisions. Generally, the government not only controls the transport system and facilities, but also controls the shipment of certain items and tax the transportation industry. FFFFs contract with carriers which can help them support transportation services, such as railways, shipping lines, trucking companies, intermodal container services and postal services.

2.1.2 THE ROLE OF TRANSPORTATION

From a transportation perspective globalization has a big effect on transportation companies. Changes in the industry required companies to re-design their structure such as need for more efficient, flexible, on-time and tailor-made transportation. Following the research of Shan and Shang, it is stated that the increase in the foreign companies in Taiwan, triggered the competition between freight forwarders (Shan and Shang, 2007). International freight forwarders have a big role on the international transportation operations.

According to Ozsomer et al (1999), freight forwarders’ operations related to air, sea and ground transport, such as ocean freight, air freight, surface transport, sea-air and inland water transport. They provide both their core business and value-added, namely; packaging, distribu-
tion, warehousing, insurance, logistics, project management, management and information services as well as export market consulting. These authors also emphasize on their trade services, such as license, visas, letter of credit, cargo tracking/tracing, carrier and commercial documentation, etc.

Following Khooban’s (2011) point of view, transportation accounts for from 10% to 20% of a product’s price and between 9% and 10% of the gross national product. With the development of science and technology, there is a tendency for increasing consumption and global commerce which can make the role of transportation become more and more important today. This situation leads to the improvement of competitive factors which are lead time, delays, whole transportation cost, efficiency, reliability, safety and reactivity.

### 2.1.3 Freight Forwarder’s Customers

Freight forwarder’s customers can be organizations or individuals. Maintaining good relationship with customers has a significant meaning to freight forwarders although they have a lot of customers in their global market. The reason is the competitiveness. In some areas, the competitiveness is extremely hard because of the number of freight forwarders, such as in Taiwan with 700 companies serve the same services. Their customers today have more and more advantages in choosing freight forwarders as well as benefits based on the competitiveness to achieve high quality services, speed, frequency and reliability between firms.

### 2.2 Customer Relationship Management

#### 2.2.1 CRM in a Freight Forwarder

As we mention before, freight forwarders link buyers and sellers and deliver products to customer in effective ways in order to create economic value. Therefore, the requirements of instant information and effective CRM are now imperative needs. With the purpose of creating shareholder value and increasing retention of profitable customers, Shang and Lu defined CRM as “a term for methodologies, technologies, and e-commerce capabilities used by companies to manage customer relationships, and the management approach that involves identifying, attracting, developing and maintaining successful customer relationships over time”. From this viewpoint, they also stated that information technology (IT) plays an important role for freight forwarders to manage their customer relationships. The IT systems are different between companies but generally, these systems are built to collect customer patterns, develop predictive model, improve customer communication system timely and effectively as well as support deliver product and service value to customers. In other researches, the other authors showed
the impacts of e-CRM on customer satisfaction and the use of IT in performing CRM in financial services sector. Furthermore, CRM with integrated technology can be one of the most useful tools to gain customer loyalty and profitability.

Besides that, there are several factors that should be considered carefully to enhance organizational performance when applying CRM in business, such as knowledge management application, customer response, customer interaction management, flexible measures management, etc.

From a survey of 144 freight forwarders, Shang and Lu showed four main factors that have important meaning in identifying CRM dimensions in freight forwarders. First of all, customer respond is the most important factor that impacts directly on customer satisfaction. It refers to activities that company use to respond to customers’ problems, suggestions and complaints. Knowledge management application is the next factor. It focus on collecting customers and markets information and performing analysis techniques in order to identify different marketing activities for target customers in target market. Thirdly, IT is another important element in categorizing targeted markets. Finally, customer interaction or benefit interaction is used to gain customer loyalty. It refers to a firm’s operations that related to information exchange, social exchange, the exchange of core business and any combination between the three, such as providing price discount for loyal customers.

However, with the scope of this survey, the authors stated that although there is a relationship between IT system and financial performance, this relationship is still unclear because “IT is costly for the small and medium size of freight forwarders” (Shang & Lu, 2012). The result of Shang and Lu’s researched also pointed out that the implementation of CRM has important effects on the success of operations or services. This means that freight forwarders should be considered service attributes when offering their services.

2.2.2 CUSTOMER LOYALTY

Customer loyalty is one of the purposes of using CRM. It is one of the most important subjects included in CRM that has a crucial effect on the success of any company. Customer loyalty is an elusive subject which consists of many variables. Basically, loyalty is directly influenced by customer satisfaction. Understanding the customer demands and meeting their expectations are the key factors leading customer loyalty (Francis Buttle, 2009). Therefore, companies apply different programs to gain loyal customers. Even though companies run several customer loyalty
programs, most of the programs lacked of being efficient. The main reason behind it was the misunderstanding of the concept ‘customer satisfaction’. (Driggs 2007).

Following Molina & Saura’s (2010) view points, loyalty is seen as an attitude that is “considered in term of revealed behavior through repeated purchase”. Customer loyalty also shows the level of customer satisfaction through customer’s transaction in the past. Obviously, customer loyalty has special meaning in context of resource capacity limitation. In forwarding industry, customers’ loyalty can be retained by providing special offers such as shipment charge discount and historical transaction frequency (Chow et al, 2007). This viewpoint also affirmed the previous Hallowell’s opinion when he stated that “customer satisfaction influences purchase intentions as well as post-purchase attitude” and this action can cause the appearance of loyalty behaviors.

Furthermore, he claimed that customer loyalty has closed relationship with both customer satisfaction and profitability and customer loyalty belongs to customer behavioral conception. According to Molina and Saura(2010), “loyal customers increase the volume of sales of the company; reduce the communication costs of attracting new customers and create brand equity. On the other hand, the fact that attitudes are predispositions leads to their relationship with actual customer behavior”. The importance of customer’s attitude is also improved through the effect of word-of-mouth marketing and resistance to other competitors.

### 2.2.3 Tata Model Discussion

In fact, there are several elements that can affect customer loyalty. In other words, there are a number of aspects that we need to consider for evaluating customer loyalty. Subject to this above, Tata - an IT services, business solutions and outsourcing organization - created a model for loyalty solution evaluation considerations which includes build or buy, complexity, interactivity, integration, accountability, flexibility, objectivity and stage based evaluation. They believe that those 8 factors related closely to organization’s activities which can be affect customers’ loyalty directly, such as response services, support service, post-purchasing service, delivery, post-transaction services, etc. In each of these factors, there are some main activities that should be performed effectively in order to gain customer loyalty. For instance, due to the accountability, the persons who write the reports and the persons who receive the reports will be defined. This closed process is established to ensure that the information about customers will be updated constantly and the managers can solve problems with their customers timely. Therefore, customers are served in the best way to satisfy their needs. However, they realized
that one size does not fit all and this model can be changed to suitable with each specific organization.

Figure 1: Loyalty Solution Evaluation Considerations


Although Tata figured out eight parameters, we only use four of them to analyze our study. The reason for choosing the four factors, we will present in Analysis part. Now we explain why “build or buy”, “accountability”, “stage-based evaluation” and “objectivity” are not suitable with our thesis. These factors affect customer loyalty but nearly all of activities including in these factors could not be evaluated or performed by Dragon Shipping and Link Shipping. For instance, “build or buy” refers to various kinds of company’s activities that support for strategic implication of technology choice, time to market, CRM aspiration of the organization, vendor viability as well as cost of ownership. “Accountability” relates to program performance report, operational report for marketing manager and activity reports program members. While “stage-based evaluation” mentions about a process that can be screened out which stages in product evaluation are unfit, “objectivity” is required to be maintained in every stages. However, the two companies do not set up stage-based evaluation and therefore, no objectivity are set up for that. The information that needs to be considered about customer behaviors can
come from any sources; any staff in any level in companies and then that information will be sent to any managers. Thereafter, a meeting will be set up and there is no specific manager is responsible for this kind of report.

2.3 INTEGRATION OF CRM INTO A FREIGHT FORWARDER

2.3.1 HOW DOES IT RUN?
Customer relationship management in a freight forwarder targets many aspects to keep the customers loyal to the company with satisfying them by providing services in the highest possible quality. As well as the quality approach there are various requirements to fulfill in the concept of customer relationship management from logistics service provider perspective. According to Grawe et al. 2012, it is crucial to placing emphasis on recognizing customers’ interests and actively managing relationships with customers. In other words, evaluating the entire relationship from ‘customer’s angle rather than own’ is the key factor in managing and improving customer relationships. Grawe et al. 2012 advocates, this concept is highly influenced by the knowledge gained about customers through the sales carried out. Moreover, they noted that how close the companies are to their customers, more the companies are in advantage of gaining loyal customers. Therefore, managing the customer relationships in a freight forwarder as well as in any logistics provider, has a crucial effect on company overall performance.

Figure 2: CRM model
A successfully implemented customer relationship program includes well developed customer loyalty strategy, in-depth analysis of potential customers, efficiently usage of appropriate software and call center.

The figure above shows the components of CRM. The branches such as; marketing, support, feedback and sales are involved in the overall success of CRM. For most of the freight forwarder companies the branches sales, support and feedback are slightly in the foreground. The prominent fact is the similarities of services in logistics field. Therefore the quality of services and customer relations has an important role while evaluating the performance. Feedbacks have crucial effect on freight forwarders decision making process. (Brian J, 1991) On the other hand, it is impossible gather feedback without carrying out sales. Therefore feedbacks are sort of a performance measure for companies.

According to Grawe et al. 2012, collaboration between companies plays an important role on achieving mutual benefits for both parties. The term collaboration includes factors such as; common planning, execution or performance measurement.

According to Danuta et al. 2005, there are four elements that are necessary for companies to take into account for developing a well-organized customer relationship program. These can be stated as:

- Availability of an item, representing the ability of the supplier to satisfy customers’ orders within a time limit for a particular item.
- Delivery time, the amount of time elapses to deliver a particular product.
- Reliability, meaning the supplier's commitment to maintain a promised delivery schedule.
- Accuracy of quantities and products ordered.

The points stated above are the key factors leading a company to gain loyal customers. From customer perspective, these points are the basic but the crucial criteria that a customer can demand from a freight forwarder. The aspects of CRM explained in this section are going to be shown in real-time cases in order to reflect its importance for freight forwarders evaluation and process of CRM.
2.3.2 BENEFITS AND BARRIERS

A well implemented customer relationship program has valuable returns to companies. Most crucial returns are: customer loyalty, customer segmentation, improving decision making, serving customers in the best way (customer satisfaction) and improving services. If we take a closer look from freight forwarder perspective, a well implemented customer relationship strategy helps companies to identify their best customers and provides methods need to be followed to improve their services towards the needs.

Customer relationship management targets to gain loyal customers. According to Chung, 2011, attaining this concept there are various barriers need to be handled. Initial barrier is the relationship quality which is positively related for gaining loyal customers. Relationship quality includes various components that leads to customer loyalty such as; trust, satisfaction, commitment and overall quality. Second aspect needs to be evaluated is ‘trust’. Basically it means the bilateral belief of parties when it comes to fulfilling requirements. In other words, it is the honesty and reliability of one party to another. The term ‘trust’ is not simple to attain, but it is the biggest step could be taken in order to gain loyal customers. Third aspect is the level of service quality. Service quality has a direct influence on customer satisfaction and trust. It can be also defined as the difference between customer expectation and the perceived service quality (Chung, 2011). Fourth factor is intimacy which is crucial for freight forwarders and necessarily to be achieved. Intimacy basically means, understanding the customers and being able to meet their special needs. Intimacy can be established by high level of communication between company and their customers. Therefore it can be concluded that intimacy is an indicator of trust between parties.

The methods of a freight forwarding company for gaining intimacy is going to be examined in this study as well as the techniques for customer satisfaction and building trust between customers.
3. METHODOLOGY

In this section, the research methods we have utilized will be explained in detail. Data and the interview types used to gather data for the literature review and empirical study chapters will be presented in methodology part to provide the reader information on research methods that have utilized.

3.1 RESEARCH PROCESS

According to Kothari (2004), research process includes several steps that related closely. Generally, these series of steps can be divided to 7 steps, such as formulating the research problems, extensive literature survey, development of working hypotheses, preparing the research design and determining sample design, collecting the data, analyses data and interpret and report.

On the other hand, Saunders et al (2009) suggest several elements that are arranged in centripetal circle. The first element is research philosophies. This term refers to the knowledge of general and fundamental problems of the research which can be used to develop new knowledge in particular fields. The next factor is research approaches which is usually helpful to make the design of the research clear. The next step is research strategies. This action is built based on experiment, survey, case study, action research, grounded theory, ethnography, archival research or any combination of these above elements. Then the researcher should decide to use mono method, mixed-method or multi-method. Data collection method is put in the heart of circle.

With the purpose of adapting with our topic, there are several layers given in this sections which are research approach, qualitative or quantitative research, research strategies and data collection method.

3.2 RESEARCH APPROACH

Saunders(2009) states that there are two different approaches which are helpful for researcher to follow. The first one is deductive approach. With this approach, the users initially build up a theory and hypothesis, then creating a research strategy to test the hypothesis. Latter is the inductive approach. The users develop a theory based on the data they collected before.

We utilize deductive approach in this paper to achieve our purpose. Specifically, our “theory” in inductive approach is built up by combining several sources, such as CRM’s effect on freight forwarders, the importance of customer loyalty in freight forwarders. In addition, we also ex-
examined two companies, which are Dragon Shipping and Link Shipping, to examined these information carefully

3.3 RESEARCH STRATEGY

From the viewpoint of Ellram (1996), the use of case study can expose misconceptions. It also means that the richer information that we can collect from case study can show the truthfulness and its usefulness.

On the other hand, Fidel stated that case studies can be helpful in the situation of limited sense of the concept. It also can be used for investigating phenomena as well as determining important factors and relationships while both of them can be observed directly.

As we already stated, there are several ways to perform research strategy. In order to adapt with qualitative research, we use case studies from Turkey. The result of these studies delivered explicit information to readers that can figure out the purpose of this topic.

3.4 QUALITATIVE OR QUANTITATIVE RESEARCH

According to Kothari (2004), quantitative research is based on quantity or amount. Therefore, it can be called as statistical data. On the other hand qualitative data concerns about qualitative phenomenon which is non-statistical. Qualitative data is in form of words rather than numbers. When it comes to comparing the reliability of both data, quantitative data is believed to more credible than qualitative data (Silverman 2004). He clarifies quantitative research as more objective, fixed, survey based and useful for hypothesis testing. Basically, quantitative data provides more accurate results and doesn’t include speculations. According to Silverman (2004), qualitative data can be flexible, subjective or speculative and soft.

There are four major methods to gather qualitative data. These are respectively observation, analyzing text and documents, interviews and focus groups, audio recording (Silverman, 2004). In our thesis we are going to utilize qualitative research by analyzing texts, documents and holding interviews.

3.5 COLLECTION OF DATA - INTERVIEW

According to Saunders (2009), an interview is a purposeful discussion between two or more people. It allows researchers to gather valid and credible data relevant to their research topic. Interviews are also known as primary source of data.
There are two main types of interview but also there also some other types of interview which can be categorized in the middle of the two types of interview.

First type of interview is formalized and structured. This type of interview utilizes standardized and pre-defined questions with using highly standardized recording techniques. The questions must be asked as exactly defined before and with the same voice tone to prevent bias during the interview. The main focus in formalized and structured type of interview is to adhere the format defined before. Considering the structure of the formalized and structured type of interviews, it is more descriptive and explanatory. The format of this interview does not allow researchers to go further than the limits therefore the exploratory side of the formalized and structured interview is relatively weak.

Second type of interview is informal and unstructured. This type of interview does not include pre-defined questions therefore it is more like a conversation. In the informal and unstructured types of interviews, researchers are free to ask the questions according to the flow of the interview. Moreover, researchers are free to change the order of the questions or add supplementary questions. Relatively, this type of interview requires more skill and deeper knowledge on the related topic to gather the necessary information from the interviewee. Considering the structure of the informal and unstructured type of interview, it is more exploratory than other types of interviews. Researchers have free space to lead the flow of the interview therefore the level of gathering information depends on the skills and the knowledge of the researchers.

There are also sub-categorized interviews such as; semi-structured and unstructured or in-depth interviews. Semi-structured interview is based on themes or pre-defined but flexible questions. The researcher can omit some questions or create new questions according to the flow of the interview. While using one of these kinds of interviews, there are three factors need to be considered for evaluating the quality of data. These factors respectively are; reliability, forms of bias and validity & generalizability (Saunders, 2009). Bias is directly related to the credibility of the interview. The main factor triggering bias in an interview is the tone and non-verbal behavior of the researcher.

To summarize, the main distinguish of interviews is their structure. According to Kothari (2004), structured and formal interviews require less skill and knowledge than informal and unstructured interviews. Informal and unstructured interviews can be a method to gather
more information if the researchers has high level of knowledge and skill about the related topic.

In our thesis, we are going to utilize semi-structured interviews for both Link Shipping and Dragon Shipping. Since the research subject is flexible, we decided to ask questions according to the flow of the interview with respect to a certain basis. Several questions are going to be prepared before the interview but some of the questions might be omitted or modified during the interview.

In empirical data collection part, we are going to utilize primary data by holding interviews with managers of two freight forwarding companies in order to have in-depth knowledge about customer loyalty-freight forwarder relationship. The reliability and validity of the interview comes with the experience and position of the person interviewed. In this sense, we interviewed the operations managers of two companies to gather the most accurate data. The interviewed managers have sufficient expertise on the thesis subject we have studied; therefore the information gathered contributes our empirical study and analysis sections of the thesis.

3.6 PRIMARY AND SECONDARY DATA

Primary data consists of several data collecting methods such as performing surveys, through observations or through direct communication with respondents. Interviews are the major examples of direct communication. Some other collection methods of primary data are questionnaires, schedules, consumer panels etc. As we mentioned in the previous part, our thesis will utilize interview method for the primary data collection. More specifically, we will collect information for two main parts, which are the level of using CRM in each of two companies and the situation of their customer loyalty.

Secondary data refers to the data that has already been collected and evaluated by other researchers. It is easier to access by researchers (Kothari 2004). According to Kothari (2004), there are two major types of data that might be utilized during the research. First one is raw data which has been little processed. Second type of data is compiled data which has been processed or summarized by someone already. Location of secondary data is usually libraries. Internet is another source to locate secondary data.

The very main advantage of using secondary data is, it is less expensive than collecting data individually. Also it enables researchers to evaluate and analyze more information compared to
primary data. Basically the benefits gathered from secondary data will be greater than its costs.

In our thesis, we are going to utilize both primary and secondary data features. In background and literature review chapters we utilized secondary data by using articles, journals and several books for gathering necessary information and cases related to our thesis topic. In empirical data collection part, we are going to utilize primary data by holding interviews with managers of two freight forwarding companies in order to have in-depth knowledge about customer loyalty-freight forwarder relationship.

4 EMPIRICAL STUDY

In this chapter, the information gathered from literature review will be supported by information gathered from two companies through interviews. Both information will be analyzed by comparing the different written sources with the interviews to supply a whole perspective on the thesis topic.

4.1 DRAGON SHIPPING

4.1.1 GENERAL COMPANY INFORMATION

Dragon Shipping mainly operates in Caspian region. They link worldwide destinations to Caspian region with offering regular liner service. Their core competences are shipping and land transportation supported by side-services. Company currently has four offices which are located in Turkey and Turkmenistan. Company’s head office is located in Turkey, Istanbul.

Company is a member of several shipping associations around the world such as BIMCO, UTIKAD, Chamber of Shipping and FIATA. These memberships have an effect on company’s reputation as well as its reliability in transportation sector.

Dragon Shipping’s mission statement focuses on four factors respectively: Customer satisfaction, developing a transport gateway, reliable responses with unique solutions and quality networking.
4.1.2 COMPANY OPERATIONS

Customer satisfaction in Dragon Shipping is an important issue since they aim to become their customer’s exclusive solution partner. Dragon Shipping analyses their customer’s operating objectives and procedures in order to fulfill the needs of their customers in the optimum way.

With developing a transport gateway prospective, Dragon Shipping aims to develop and rehabilitate the transportation routes and tools such as; ports, railways and inner waterways in order to offer better quality of service to their customers.

Dragon Shipping focuses on offering unique solutions with high quality to their customers. Their punctuality and coping with complexity brings company the competitive advantage in transportation market. Company states that issues like security, reliability, safety and control have bigger importance rather than material gains. Dragon shipping aims to be flexible in order to serve their customers on time.

Dragon Shipping has successfully built a quality network with creating a professional team consisting of highly trained staff. Company elaborates placing their highly trained staff to their offices in order to keep the communication in the highest level.

Dragon Shipping involves in many transportation activities in order to facilitate shipping and land transportation effectively. These activities are; sea freight, river transportation, heavy lift services, project transport, multimodal transport, container transport, port operations, barge services, liner services and cargo securing. Below we are going to present how Dragon Shipping manages these activities respectively.

Dragon Shipping offers various types of shipping including chartering of ships and sea brokering. Company has experienced agencies in undeveloped countries which are adopted in principle to serve customers without problems with the right information flow. Company’s principle in sea fright is to offer the best quality service with the most affordable prices.

Dragon shipping functions in rivers across Europe and Asia. Through several rivers (Volga, Don, Neva and Kama), shipments are being carried out to several countries and Black Sea is linked to Baltic Sea. The shipments in these regions are carried out with different types of ships (1700 – 4000 dwt) according to amount of the load. Dragon shipping offers services in rivers for at least 8 months depending on the weather.
Heavy lift services are carried out for over-weight loads with sea-freight and multimodal transport. Dragon shipping is managing this activity with their world’s finest heavy lift operators and equipment owners. Company claims that the success in carrying out heavy lift services and project management is directly proportional with the experience and references on this specific field of operation. Dragon shipping has expertise on carrying out any kind of project transportation regardless to complexity and capacity of the shipments. Company has already carried out several projects regarding to heavy lift and project services successfully. Dragon shipping guarantees cooperating with world’s best operators in order to handle any kind of shipment. Project and heavy lift services include transporting power plant equipment, industrial equipment, construction equipment, oil field equipment, wind turbine parts, yachts and boats and offshore/underwater projects.

Dragon shipping considers their multimodal transportation as one of their most competitive branch. Company is able to operate in regions with geographical restrictions through their success in multimodal transportation (rail + land + sea)

Container transportation can be carried out to every destination in the world through the best agencies in the world. Multimodal transportation is involved in transportation process if it is necessary. Dragon shipping is capable of providing necessary port equipment in inadequate ports with their experienced team.

Since the security and safety of the cargo is one of the missions of Dragon Shipping, company is paying importance to cargo securing. In their loading and unloading operations in ports, company is charging their most experienced staff including port captains. Dragon shipping guarantees that all the equipment used in cargo securing operations are internationally valid and certified.

Dragon shipping offers barge services for inner seas, rivers and connected ports. Depending on the project, Dragon shipping can administer the barge operation or hire the barge. Barge operations are generally carried out as support for heavy-lifting operations, direct transportation vehicle, loading-unloading or storing equipment or as logistics equipment where the infrastructure is insufficient in inner seas. Dragon shipping also offers several services such as; pipe laying, equipment montage and petrol and gas projects with their company-owned barges.

Dragon Shipping offering sea freight services to Caspian region and it is the leader operator in Caspian region. Dragon Shipping is actively transporting 8 months a year (April-November).
Company has sea freights from ports in Marmara region to the ports in Caspian region (Turkmenbash, Aktau, Baku, Bandar, Anzali) every week with partial or complete shipments.

4.2 LINK SHIPPING
4.2.1 GENERAL COMPANY INFORMATION
Link Shipping headquartered in Istanbul and established in 1996. Company serves as Liner agent, freight forwarder and customs brokerage. Company offers full range of shipping services through contracted agency around the world. Link Shipping serves different kind of customer, from individual to organization. They can transport various kinds of shipments, included small shipments and bigger ones, in various sizes of containers, such as container 20 feet, container 40 feet dry, container 40 feet dry and container 40 feet HC. World class shipping and service excellence is the mission of the company. Company is a member of the Ministry of Trade and Commerce, Chamber of Shipping of Istanbul and Maritime Associations of Shipowners and Agents, fully licensed to serve as Shipping Agency, Freight Forwarder and Customs Brokerage Provider. Operating in Istanbul, Link Shipping has achieved several certificates which can improve their abilities, such as the permit for national transport, the permit for organizing national transport, the permit for organizing international transport and the permit for acting as shipping agency as well as trade mark certification.

4.2.2 COMPANY OPERATIONS
According to Khooban (2011), transportation cost can be divided to 4 kinds of cost which are investment cost, operational and maintenance cost, fuel cost and external cost. For each kind of transportation, the percentage of these cost are different. For example, in sea transportation, the total cost of a unit consists of 26% investment cost, 35% operational and maintenance cost, 32% fuel cost and 7% external cost. While these percentages for road transportation are 14%, 17%, 60% and 9% respectively.

Link Shipping is able to manage every kind of transportation according to their customer’s needs, such as sea transportation, road transportation, rail transportation, air transportation, custom brokerage and warehousing solutions. With the purpose of offering high quality services with best price, they have to face with finding solutions to reduce transportation cost. Their services are showed in the following table:
<table>
<thead>
<tr>
<th>Transportation services</th>
<th>Trade and value-added services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sea</td>
<td>Customer brokerage</td>
</tr>
<tr>
<td>Air</td>
<td>Warehousing</td>
</tr>
<tr>
<td>Road</td>
<td>Insurance</td>
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<td>Rail</td>
<td>Distribution</td>
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<td></td>
<td>Customer clearance</td>
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<td>Bunkering</td>
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<td>Repairing</td>
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<td>Surveying</td>
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<td></td>
<td>Crew change and repatriation</td>
</tr>
</tbody>
</table>

Table 1: Link Shipping’s services

Link Shipping offers 3 main services which are full liner agency, freight forwarding and port transit agency. Freight forwarding can be seen one of the core business competence of Link Shipping. They established 7 ports in Turkey and offered a wide range services, such as transit agency services, bunkering, repairing, surveying, crew change and repatriation and custom clearance.

Companies which are operating in sea transportation have to face with the risk of marine accident that can cause severe consequence, such as oil spills, property damaged or lost, lives can be lost, etc. Thevik (2005) stated that accident frequencies depends on different ship type and different kind of accident, such as collision, powered grounding, drift grounding, fire and explosion and structural failure. Therefore, cargo insurance service is offered as a guarantee for a freight forwarder’s capability as well as improving customers’ belief.

Road transportation is another main operation with several services, such as service with full truck, food transportation, express transportation, import and export to all European, Middle Eastern and CIS countries, etc. With rail transportation, they offer deliver services at stations
and to door, direct and combines Sea and train transportation and offer service to all countries in Europe, Middle East and CIS.

The risk of road and rail transportation mainly comes from drivers’ skills and toxic and flammable substances.

Link Shipping also concentrates on both rail transportation and air transportation. They can deliver goods from consignor’s warehouse to any airport of the world or to consignee’s warehouse. Besides that, they also offer some extra services which can be fulfill specific requirements, such as air transport of out-of-gage and heavy freight, Air transport of out-of-gage and heavy freights, air transport of perishable freights, air transport of cargo requiring special transportation conditions, transit and multi-modal transportations, informational freight tracking along the entire journey, optimization of transportation plans and payment conditions international transit and transfer transportations and special freight conditions for regular customers.

Link Shipping has an internal customs brokerage company which can provide custom clearance, consulting and other related services. Furthermore, they can design transportation solutions which can satisfy specific requirements.

Warehousing and distribution are designed as a whole solution. Their services are offered from general storage, pick and pack service, inventory control, container stuffing/ de-stuffing, de-consolidation, repacking, redistribution, etc.

4.3 THE SITUATION OF USING CRM

Payne and Frow (2005) stated that “CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customer and customer segments. CRM unite the potential of relationship marketing strategies and IT to profitable, long term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and concrete value with them. This requires a cross-functional integration of process, people operations and marketing capabilities that is enabled through information, technology and applications”. The authors mentioned their overview of CRM but it is not a regulation for every company to follow.
As we mentioned before, a full CRM system includes a combination of business strategy, business process and CRM software. However, depending on different companies, CRM is used in different levels. With small and medium enterprises, business strategy is not clear or even they do not figure out. Dragon Shipping and Link Shipping are not exceptions. While Dragon Shipping has a building with 4 floors, Link Shipping just has only one floor in a building with several rooms. Because of the particular business, they can perform the business process in that small space, such as customer communications, contract with carriers, contract with customers, etc.

Link Shipping manages the relationships with customers without software. While Dragon Shipping used software with medium level. This allows Dragon Shipping store their customers’ data and make basic forecasts. For example, one of the big customers of Dragon Shipping is Enka – a construction company. The percentage of units that need to transport in March account for 80% compare with the total number of unit in a year. Therefore, Dragon Shipping prepares to come up with special offers for the same month of next year. This software enables them to observe which months are in demand.

Although both of them manage customer relationship in different ways, they are all try to achieve customer trust which can be seen as the biggest outcome of customer loyalty.

Thomas Young, who is marketing consultant and a manager of his own business, states that organizations should build the trust base on some factors, such as return all phone calls immediately, send thank you note, be creative to do something different and special, understand your customers, partner with customer, create solutions that add value to customers and handle complaints promptly with empathy and honesty.

Both Dragon Shipping and Link Shipping also perform some same operations to satisfy their customers. First of all, they build customer service staff. These feedbacks are used to improve services quality, pricing, customer relations, etc. Therefore, collecting feedbacks is an important duty and this action is usually performed after the shipment has been made or the project is completed via websites, phone calls or face to face communication. Secondly, they send postcard and gift in special days of customers. Finally, they are still doing business with key customers even for loss. This business not only keeps the customer in hand but also prevents the key customers doing business with other freight forwarders.

With Dragon Shipping situation, they use CRM as a tool which is responsible for identifying customers, get in touch with them and keep them in hand. It is obvious that the treatment for the customers that they have trade with in larger volume is different from the ordinary cus-
tomers. Company mostly makes profit out of these kinds of customers. Therefore, it is important to keep them in hand. They often invite important customers to dinners to show how they are important to company. They also provide several allowances for customer account, who are important customers of company, in project services. Working in this environment, the company is aware of the difficulty of payment. Customers usually run out of cash while investing heavily in a project. They might not be able to have sufficient funds for transportation expenses. In this case, Dragon Shipping create solutions in order to keep the project running and making it profitable for both parties by accepting cheque or installments depending on the termination of the project. This is one of the most important methods that the company uses to achieve mutual benefits and customer loyalty.

With Link Shipping situation, they have only one key customer which is Philips. This customer accounts for 80% of the company’s imports. This can cause both advantage and drawback. The advantage is when Link Shipping negotiates with other customer; the reputation of Philips can be influenced to the customer. However, the company has to face with high risk if this relation gets worse. So that the most important for them in current is keep a good relationship with this customer. They offer best price and use flexible payment policy when doing business with Philips.

4.4 CUSTOMER LOYALTY ACHIEVEMENT

4.4.1 DEFINITIONS BY FREIGHT FORWARDERS

Customer loyalty is an elusive aspect that can be gathered by freight forwarding companies as well as other companies. In this aspect, freight forwarders have several approaches to maintain loyal customers. Based on the interviews that we held with two different freight forwarding companies, it can be stated that the focal is to offer best quality services, on-time deliveries, trust, safety and insurances. The approaches of two different freight forwarding companies are the key factors leading customer satisfaction which directly influences customer loyalty. The definition of customer loyalty is explained by Dragon Shipping in following way.

“Our strategy is based on customer satisfaction with offering the best services for most affordable prices. To achieve this goal, we are cooperating with the best carriers in the world as much as possible. We believe, it is one the key factors for gaining loyal customers.”(Emre Oncu, Operations Manager, 09-04-2012)

As Dragon Shipping stated, freight forwarders are aiming to offer the best substantial services with the most affordable prices for customer satisfaction and customer loyalty in the competi-
tive environment. The approach of Link Shipping to overlook on customer satisfaction and customer loyalty is substantially supporting Dragon Shipping’s approach. The approach of Link Shipping is in following.

“Like every freight forwarding company our goal is to transport our customer’s loads from point A to point B safely and on time. Our belief is the accuracy on-time deliveries, safety, being able to offer best possible prices in the market will bring customer satisfaction which leads customer loyalty eventually. So, our purpose is to achieve these points as much as possible to increase our reputation among competitors.”(Burak Kartal, Operations Manager, 06-04-2012)

4.4.2 HOW IT IS ACHIEVED

Since the freight forwarders targeting loyal customers, they have generated several approaches in order to achieve this goal. Loyal customers are also called as key accounts which represent the major customers of freight forwarders. For the two freight forwarding companies that we have examined, key accounts make up more than 60% of their overall trade volume. Therefore, both companies have several methods to keep their relationship with their key accounts close and improve the current relationship. According to the interviews we held, both companies segmenting their current customers into two groups. First type of customer is called normal customers which forms smaller percentage of overall import-export. Second type of customers is called key account which forms nearly entire business activity of a freight forwarder. Both companies’ states, the treatment of two companies are different than each other. Link Shipping distinguishes the two types of customers in the following.

“We roughly have two types of customers, first one are making up our little turnover where the key accounts making up our most of the turnover. For instance, our biggest key account is Philips. We are their main freight-forwarder for Turkey operations of Philips. Philips is making up our 80% of our import; therefore the treatment of Philips is different than other customers inevitably. There are times that we carried their products even for loss just to keep the relationship in balance which we can never afford loss for any other our customers.”(Burak Kartal, Operations Manager, 06-04-2012)

Link Shipping’s strategy of segmenting customers into two parts and having special pricing strategy for key accounts demonstrates the importance of having loyal customers. Link Shipping ventures making sales even for loss, in order to keep Philips as their key account. Link Shipping also states that, “... doing business with big companies and being their transportation partner is bringing us bargaining power with carriers. By using Philips as a reference, we are
able to get cheaper prices from carriers because of our high volume of import and export, therefore it contributes our business. “Considering aggregate profitability, reputation in the market and sustainability, Link Shipping is applying this approach for Philips for mutual benefits of both parties. Link Shipping believes that, in long term, a sale for loss will turn to a profit. With this approach, Link Shipping is managing to improve the relationship with their key account and achieved keeping Philips as their loyal customer.

According to the interview on customer loyalty methods held with Dragon Shipping, we more or less had the same responses as with Link Shipping. Dragon Shipping is a slightly larger freight forwarder than Link Shipping, therefore they have few more key accounts than Link Shipping. Dragon Shipping also stated that, they performed sales for loss in order to keep their key account in hand. Dragon Shipping provided another helpful case to demonstrate how to gain loyal customers and how to remain them loyal. The example following from Dragon Shipping demonstrates another method for customer loyalty.

“Since we are experts in project services, we are obligated to carry out shipments of our customers consisting of heavy investments around the world. These investments mainly compose of heavy machines. Since the investing company spending most of their funds on equipment, sometimes they might run out of funds. At this point, we are offering special payment methods for our certain customers or postponing it until the client’s project accomplishes. Special payments are mainly installments or cheques for certain date. Depending on our customer, we are trying to be flexible as we can. The purpose of this action is to make the project profitable for both parties. (Us and our client). We performed this allowance several times to our customers and we get profit with positive feedback on return.” (Emre Oncu, Operations Manager, 09-04-2012)

This case clearly indicates the effect of different approaches on customers. Both cases demonstrate the positive return of several customer loyalty applications. The idea underlying these applications is to gather an ongoing relationship with customers.

Other than physical approaches, there are also moral approaches to keep the customers loyal or gain new customers. According to the interviews that we held both freight forwarders pays attention on the importance of having communication not only for business platform also for values other than business. “We do periodic visits to our key customers to make them feel they are valuable to Link Shipping” (Burak Kartal, Operations Manager, 06-04-2012). Link Shipping
also points the ability of creating solutions for any problem, is crucial for gaining the trust of key accounts.

The following figure shows the components of customer loyalty approaches of both companies. Since both companies have different methods and applications to gain or retain their loyal customers, somehow they function with the same components of customer loyalty model shown below. Therefore, in the following chapter of the thesis, complexity, interactivity, flexibility and integration parameters of both companies are going to be analyzed by utilizing related method.

Figure 3: Loyalty Solution Evaluation Considerations for Dragon Shipping and Link Shipping

5. ANALYSIS

According to the theory we mentioned above, the model of loyalty solution evaluation consideration includes 8 factors. However, there are 4 factors related to some activities that are not performed in both Dragon Shipping and Link Shipping, so that in this part, we will show 4 fac-
tors, which are complexity, interactivity, integration and flexibility that need to be considered for evaluating customer loyalty in both companies.

5.1 COMPLEXITY

Complexity is used as a parameter to figure out data feed from multiple sources, multiple reward type, fulfill requirement as well as support function. Because of the characteristics of companies in a forwarding industry, they are able to attain new customers easier than companies in different industries. However, operating in high competitive environment, force them to manage relations with customers effectively and efficiently. Dragon Shipping uses CRM software as a useful tool to track and duplicate partners contact information while Link Shipping use traditional way to track and duplicate their partner contact information, such as by documents and Microsoft Office. This helps them to improve their services as well as the relationships.

Both of them use email, website and telephone as useful tools to keep in touch with customers. Furthermore, they use flexible reward type for both internal and external staff. More specifically, customer service is built up to improve customers’ trust and satisfaction. Furthermore, they send gifts to customers in their special days and continue to do business with their key customers although they can lose their profit in some cases. While Link Shipping hold parties in every month on a fixed day to celebrate their staff who were born in that month, Dragon Shipping plus 5% of their staff salary if they can bring a new customer to company in that month.

5.2 INTERACTIVITY

Another parameter is interactivity which related to complex communication needs, including timing and channel of delivery. One of the most important factor when communicate with customers is timing. It shows the responsibility, empathy and honesty. Communication timing needs would vary between an immediate response, a synchronized response, and a well-planned response, based on market conditions. The purpose of building customer service staff is to fulfill this requirement. The content of communications is also very important, especially with customers moving online. In this case, website plays an important role in interaction with customer. The interactivity requires flexibility while communicating with customers. For example, when a company receives feedback or request from a channel of delivery, they all try to response in different way, especially with key customers.
Both of the two companies use the website as a useful tool to transfer their information about companies, services, responsibility and get feedback from customers. Besides, they take full advantage of their effective and available resources, such as customer services, email, telephone, face-to-face communication to contact customer as soon as possible. They can also contact and pursue new customers through their current customers. For instance, because of Philips’s reputation, Link Shipping can get more contracts with other new customers after showing the good and durable relationship with Philips.

5.3 INTEGRATION

Customer loyalty systems use data exchange with several information systems. Initial method that can be mentioned is the usage of corporate websites in order to link companies to possible or current customers. Through using customer websites, both Dragon Shipping and Link Shipping are able to exchange data and information with their customers. Integration with websites is useful for gathering feedback, inquiries and promotions. According to the examinations we carried out with freight forwarding companies, we observed both companies are utilizing websites for exchange information with their customers. As well as websites, emails, face to face contact and telephone is utilized to manage communication with customers.

If the two companies examined separately according to their level of integration, Dragon Shipping utilizing more complex integration systems than Link Shipping. Relatively to the size of two companies, Dragon Shipping’s position mandates more detailed feedback and higher level of communication with both customers and shippers. Since Dragon Shipping offers extra services beside basic transportation, the promotions and presentation of services requires higher level of interaction with the customers. Therefore Dragon Shipping already has their customized software for managing these activities and informing their customers if necessary. Link Shipping’s way of managing customer relations are in a simpler way compared to Dragon Shipping. Relatively to their services, Link Shipping manages their relationships with their both customers and shippers mostly face to face.

In common, both companies taking more or less the same action in order to keep in touch with their customers and satisfy their needs. It is somehow varying depending on the size and the services that the companies offering but fundamentally they are similar.
5.4 FLEXIBILITY

Flexibility basically means to adapt and ability of responding abrupt market changes. Therefore, it is crucial to have the sufficient infrastructure to stay in the competition. Sufficient infrastructure includes aspects such as, working with experienced team and using suitable software. Both Link Shipping and Dragon Shipping are operating with their experienced staff in every branch of their business. The term flexibility means for the both companies we have mentioned is their ability of switch strategy against different situations might occur. For instance, their ability of changing their pricing strategy (such as discounts, special payment, etc.) is a major example for flexibility. Companies contrive flexibility gains competitive advantage in the market by prosperity in pricing according to different cases. More specifically, if a customer demands for transporting their solid products, (1 m$^3$, 2 m$^3$ and 5 m$^3$), the price they have to pay for those 3 shipments respectively are 125%, 175$ and 375$. This specific example shows the reduction in the price as the amount of load increases. (This example is valid for two companies that we have examined). According to the interviews that we held, both companies consider flexibility as one of the key aspect of their business. Through flexibility, customers are being able to transport their loads in complacent way due to easier and affordable prices.

6. CONCLUSION AND REFLECTION

This chapter includes the conclusions of our study. Conclusions are the outcomes that we have gathered by analyzing empirical data and literature review. The aim of this chapter is to explain purpose with answering research question.

6.1 CONCLUSION

Our study concentrates on customer loyalty in freight forwarder and use customer relationship management in associated way to clarify our thesis. Since the implementations of CRM and customer loyalty programs differ from market to market, we only focused on customer loyalty implications and methods of freight forwarders. First conclusion can be drawn is the importance of managing the pricing system for the current customers. Both companies that we have examined are segmenting their customers and offer different pricing level for their shipments. For the customers that freight forwarders have business with large volumes have advantage of benefit from lower prices compared to stand-
ard customers. For instance, Link Shipping has completely different pricing strategy for their key accounts. Since Philips accounts for a high percentage of Link Shipping’s business, the company generated a different pricing system for them. Link Shipping stated that, they can afford carrying their goods even for reasonable loss in order to sustain their relationship with Philips. Link Shipping believes the outcomes of making business with Philips brings competitive advantage in market by using Philips as a reference in bargaining with carriers and gaining other customers. In fact, this is not a special policy that Link Shipping uses to treat with Philips; it is also a common way for the other companies in forwarding industry use to treat with their key customers.

On the other hand, Dragon Shipping has several approaches on customer loyalty. They offer different payment methods or postponements in payment to their customers for gaining mutual benefit and loyal customers. For instance, Dragon Shipping indulgences for their key customers or potential key customers in order to strengthen their ties. In the empirical data chapter, the case study of Dragon Shipping demonstrates the benefits of this action evidently. Briefly, freight forwarding companies have specific methods to gain loyal customers which distinguish their methods from other industries. In frame of reference section we demonstrated the approach to customer relationship as well as customer loyalty from freight forwarder perspective. To achieve these goals, each of companies has to combine several methods at the same time or use these methods consecutively.

The main idea of the theory we studied is the components of customer loyalty and how they are implemented by the companies. In empirical study and data analysis chapters, we observed how much of the theory matching with the processes in freight forwarders. However, according to the interviews that we held with freight forwarders, we realized that companies apply most of the methods that we gathered through research. Because of the high competitive environment, each of freight forwarders has to exploit their strength to compete with their competitors. This is one of the key motivators for those companies to create more services and offer more value added services to customers. As a consequence, we also discovered that freight forwarders have specific methods to gain loyal customers besides the classical methods mentioned in the empirical studies.

### 6.2 LIMITATIONS

We also realized necessity for limitations of our thesis. We did this research with the purpose of studying the effects and importance CRM and customer loyalty on freight forwarders. However, depending on different kind of level of using CRM in different freight forwarder firms, we
might be got different outcomes. In other words, the result we showed in this paper is not able to represent for the effect of freight forwarders in general. Furthermore, number of companies in freight forwarding industry is another important factor that can be affected directly the purpose of this topic.

In addition, because of some sensitive fields in freight forwarders, such as prices, customers’ information, etc., we are not able to get enough essential data for modifying our points in this topic.

6.3 FUTURE RESEARCH

There are number of studies that related to context of customer loyalty. We aimed to demonstrate the benefits of using CRM. This paper can be further improved in order to make it more valuable. As a complement to this thesis, it could be possible in the future to conduct a research concerning the integration between customer relationship management and entrepreneur resource plan.

Another study that can be carried out is the how the methods of customer loyalty may differ from a freight forwarder to another using our thesis. The study can examine how the different methods may create additional value for companies through different approaches.
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APPENDIX 1 INTERVIEW QUESTIONS

1. What are your trade and added services?
2. Do you apply CRM system as a holistic strategy?
3. What kind of operation that your company use as strategic and operational activities to apply CRM in your company?
4. How do you contact with customers effectively and efficiently?
5. Do you offer special services for special customers? What are these services?
6. How do you keep your key customers in hand?
7. How do you evaluate your customers’ loyalty?
8. What kind of customers do you have currently? Do you treat them in different policies?
9. What are the methods do you use to gain loyal customers?
10. Do you segment your customers? If yes, which criteria is considering?
11. Can you give an example of a case that demonstrates your attitudes on customer satisfaction or customer loyalty?
12. Why key accounts are more valuable than normal accounts?
13. In which ways the treatment of these two accounts differ?
14. What extra offers can the key accounts benefit from?
15. How do you motive your staff?

APPENDIX 2 LIST OF RESPONDENTS

**Dragon Shipping**

Emre Oncu, Operations Manager, video interview 09-04-2012

**Link Shipping**

Burak Kartal, Operations Manager, video interview 06-04-2012