

CUSTOMER ORIENTATION IN LOGISTICS AS A FACTOR INFLUENCING BUSINESS COMPETITIVE ADVANTAGE CREATION

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Abstract

Firms are constantly looking for the ways and solutions leading to business competitive advantage creation. One of the most effective and efficient solutions of getting and maintaining sustained, long-term competitive advantage by a firm is to implement customer orientation in business management. First of all, customer orientation - perceived as a key component of market orientation - facilitates identification and fulfilment of a customer's needs and wants. In the recent years, apart from important place and role within the marketing concept, customer orientation has been more and more frequently taken into consideration in the logistics concept. The implementation of customer orientation in business management includes in particular: (1) the identification of customers' goals, needs and problems, as well as (2) the adjustment of a firm's offer (products and services) to the unique customer requirements and expectations. The effective and efficient customer orientation implementation in logistics and business management may significantly contribute to market (customer satisfaction, customer loyalty, market share) and economic (profit, profitability, ROI) outcomes achievement by a firm. These outcomes are not only the most significant symptoms of business success, but the basis for business competitive advantage creation as well. The article attempts to identify: (1) the most important dimensions of customer orientation, (2) the most significant possibilities of "embedding" customer orientation in logistics as well as (3) the significance of the logistics service in customer orientation development in the context of business competitive advantage creation.

Keywords: Customer orientation, logistics, competitive advantage

1. INTRODUCTION

Firms are constantly looking for ways leading to gaining and maintaining a sustainable, long-term competitive advantage. Competitive advantage may be embedded, among others, on focusing on customers' needs and wants by the firm. One of the most important conditions for effective and efficient customers' needs and wants fulfilment is the implementation of the customer orientation within business management. The implementation of the customer orientation concerns, in particular, the identification of customers' purposes, needs and problems as well as the adjustment of a firm's market offer (products and services) to the individual customer preferences and requirements [2].

The implementation of the customer orientation may also contribute to the achievement of the expected market outcomes (customer satisfaction, customer loyalty, market share) and economic outcomes (profit, profitability, ROI) by the firm. Such outcomes are not only the most significant symptoms of business success but may also be perceived as the basis for business competitive advantage creation [11].

The purpose of this article is to identify the most important dimensions of customer orientation, the most significant possibilities of "embedding" customer orientation in logistics as well as to identify the significance of the logistics service in customer orientation development in the context of business competitive advantage creation.

2. THE NATURE OF CUSTOMER ORIENTATION AND ITS BASIC DIMENSIONS

Customer orientation requires - first of all - the perception of the customer needs and wants as “guideposts” in the business management. The implementation of the customer orientation also requires the proper definition of the firm mission as well as strategic directions of its development conditioning the customer value creation. Furthermore, it is necessary to design and implement the organizational solutions focused on customer service as well as meeting the customers’ needs and wants [12]. An important role is also assigned to the integration of the goals related to the customer orientation with the corporate and business goals, as well as the integration of customer service strategies with the corporate and business strategies.

Customer orientation is often associated with the marketing concept. Ph. Kotler among the key dimensions of the customer orientation enumerates [10]:

- The identification and selection of a firm’s target market,
- The selection of ways and methods enabling customers’ needs and wants identification and fulfilment,
- The development of the integrated composition of marketing tools (marketing-mix),
- The determination of the expected profitability of a firm’s markets and products.

The adoption of the customer orientation by the firm enables building and maintaining long-term relationships with customers. However, maintaining such relationships requires a systematic measurement of the customer satisfaction as well as the design and implementation of solutions leading to the customer loyalty increase [10].

3. CUSTOMER ORIENTATION AS A COMPONENT OF THE FIRM’S MARKET ORIENTATION

In the literature there is often pointed out that customer orientation is an important part of another, much broader orientation, referred to as the market orientation. Firms perceiving market orientation as the basis of their business model, strategy and routine activities, are taking into account not only the needs and wants of customers (customer orientation), but also the monitoring of the strategies and operational programs and projects of their competitors as well as the reaction to the competitors behaviour on the market (competition orientation) [4].

The market orientation comprises in particular [9]:

- The collection (at the level of the whole firm) of the market knowledge concerning the firm’s present and future customers,
- Sharing this knowledge within the firm and its distribution across the firm,
- The firm’s responses to the so-called market signals.

Taking the above remarks into consideration, one may notice that the market orientation is characterized by two basic dimensions: (1) the customer dimension, also referred to as the demand dimension, which is related to the “customer sub-orientation” and (2) the competitive dimension, which is related to the “competitor sub-orientation”. In general, that means that the firms on the way to the market orientation implementation should take into account not only the customer needs, wants and preferences, but the competitors’ strategies, operational programs, projects and routines as well.

4. CUSTOMER ORIENTATION IN LOGISTICS

In recent years one may notice an increasing role of the customer orientation within logistics and supply chain management (SCM) areas [6]. The implementation of the customer orientation in logistics is mainly related to such trends as: increasing customer expectations, progressive “customization” of products and services, the

need for providing fast and reliable deliveries of goods as well as the need for providing a high level of customer service. Customer orientation in logistics is a basis for effective and efficient value delivery according to customer preferences.

A. Harrison and R. van Hoek suggested four basic dimensions of the customer orientation in logistics: (1) marketing perspective, (2) market segmentation, (3) service quality, and (4) logistics strategies related to customer preferences [5].

For the firm which treats the customer orientation as a key criterion for effective and efficient business management, the primary aim is to offer values and benefits that solve the customer's problems. Adaptation of the marketing perspective means that the firm perceives customers as a "subjective starting point" of its activities. Meeting their needs and wants requires adequate methods and instruments related to the creation of value for the customer and, consequently, for the firm.

In fulfilment of the customers' needs and wants an important role is played by market segmentation. The results of the segmentation can be very useful in the identification of the differences within the preferences of individual customers or customer groups. Market segmentation comes from the marketing concept. Within the marketing area different criteria for market segmentation are used: demographic, economic, geographical, social, etc. Within the logistics area there is one dominant criterion for segmentation: the level of logistics service offered to customers. The precise determination of the level of this service plays very important role in the process of meeting the requirements of customers, ensuring the required quality of the customer service as well as in the formulation of logistics strategy by the firm.

From the perspective of the logistics concept a key dimension of the customer orientation is the logistics service, including service quality. Logistics service is a basic instrument for customers acquisition and retention, related to continuity, speed and reliability of the supplies meeting customers' needs. By providing the appropriate level of the logistics service, it is possible not only to offer values corresponding to the customers' needs and wants, but also to realize the value for the firm.

5. THE ROLE OF LOGISTICS SERVICE WITHIN THE CUSTOMER ORIENTATION IN LOGISTICS

Among the logistics strategies and processes implemented in order to meet the ever changing customers' needs and wants, a key role is assigned to the logistics service. The customer service in logistics plays a distinctive role and - because of this - is often called "the logistics of the customer" [7]. It should be also noted that effective and efficient solutions within the field of logistics customer service, enabling the fulfilment of the customers' requirements, can contribute to achieving several benefits by the firm.

Contemporary logistics concept offers different ways leading to the customer benefits increase. In particular, these ways are related to expanding the range and increasing the level of logistics services. Permanently rising customers' expectations mean that firms are increasingly focusing their efforts on the development of the intangible "parts" of their market offer, among which an important place occupies the logistics customer service.

Customer service can be defined as the ability of the firm's logistics system to meet the customer's needs in terms of time, reliability, communication and convenience [1]. These elements could form the basis for defining standards, measures and indicators of service in relation to the customers' requirements and the firm's capabilities to meet them. Within the logistics area there is very widely used "formula of logistics customer service" referred to as "7R", including: right product, right time, right place, right quantity, right quality, right cost, right information [2]. This formula is the basis for the detailed standards, measures and indicators development.

J. J. Coyle, E. J. Bardi and C. J. Langley Jr. enumerate three basic dimensions of customer service [3]:

- processes and activities enabling customers' needs and wants fulfilment,
- level of service offered to customers, related to standards and solutions required by the customers,
- a firm's orientation concerning the key importance of the customers and their preferences in the development of the business model as well as a firm's strategy and operational programs.

The evolution concerning customer service in logistics is presented by D. Kempny [7] [8]. The author indicates two points of view in the customer service definitions: (1) classic and (2) contemporary.

Within the classic point of view, the customer service is the firm's ability to satisfy the requirements and expectations of customers, mainly as to the time and place of the ordered supplies, using all available forms of logistics activities, including transportation, warehousing, inventory management, information and packaging [7].

Within the contemporary point of view, the terms "logistics customer service" or "customer service in logistics" are more and more often replaced by the term "logistics service", which is both broader and more adequate term. Contemporary logistics service is related not only to the final customer (consumer), but also to all firms perceived as "customers" in the supply chain (suppliers, manufacturers, distributors, etc.) [8].

Logistics service in its broader view is defined as bringing significant benefits (i.e. fast, flexible, reliable and cost saving) services performance, including warehousing, transportation, handling, compilation, packaging, palletizing, labelling, marking, and many others (information, legal, customs and financial), concerning the supply of the ordered products to the customer [8]. This means that there is a need for the adaptation of the logistics systems as well as the business management systems to the market changes, associated first of all with customers' satisfaction and solving their problems.

6. THE SYMPTOMS OF THE CUSTOMER ORIENTATION IN LOGISTICS INFLUENCE ON BUSINESS COMPETITIVE ADVANTAGE CREATION

The implementation of the customer orientation may not only contribute to strengthening the widely perceived firm's competitiveness capacity, but also be a very important source of business competitive advantage as well as a significant premise of business success achievement [2]. Selected aspects concerning the implementation of the customer orientation in logistics in the context of its impact on changes in business management as well as business competitive advantage creation have been the subject of the research conducted by the Chair of Logistics and Marketing at the Faculty of Economics, Opole University, Poland, EU. (The research carried out by the Chair of Logistics and Marketing has included a sample of 111 companies operating in Poland, representing five lines of business: (1) Mining and extraction mining - 5.4%, (2) Industrial processing - 27.9%, (3) - Media production and delivery: energy, gas, etc. - 1.8%, (4) Building engineering - 11.7%, and (5) Commerce - 53.2%. See more [13] [14] [15])

The basis for the evaluation of the implementation of the customer orientation in logistics in the surveyed firms were business practices oriented on the required level of effectiveness and efficiency achievement, concerning key products supplies as well as key markets service (**Figure 1**).

Key "nature" of the firm's products and markets means that such products and such markets play a significant role in - respectively - a comprehensive "portfolio" of products offered by the firm as well as a "set" of market segments served by the firm. Key products and key markets stand out against the "other" firm's products and markets, first of all, by means of a significant contribution to the sales revenues achieved by the firm. Customers representing key markets deserve distinctive treatment by the firm, especially in the context of the level of logistics service offered by the firm.

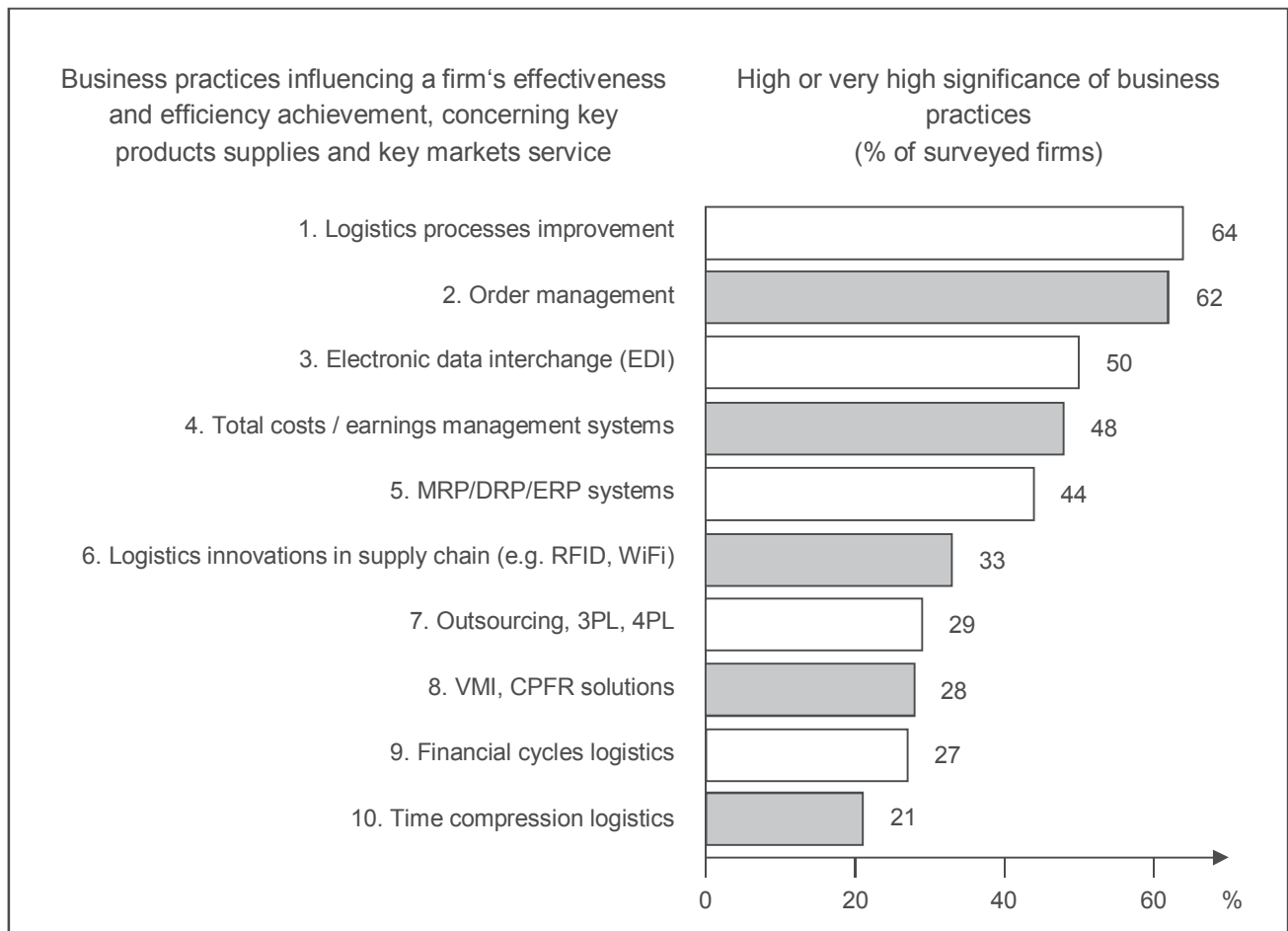


Figure 1 Business practices oriented on the required level of effectiveness and efficiency achievement, concerning key products supplies and key markets service.

Based on: [15].

7. CONCLUSION

Customer orientation plays an important role not only in business logistics, but in overall business management as well. The effective and efficient implementation of this orientation creates the possibilities for successful fulfilment of customer's needs, wants and expectations.

Among the practices focused on the effectiveness and efficiency of products supplies and markets service, the firms which took part in the study conducted by the Chair of Logistics and Marketing at the Opole University, Poland, EU, the highest significance assigned to logistics processes improvement (64% of responses) and to order management processes (62%). These results may suggest that the firms which implement customer orientation in logistics and business management, focus on processes and activities directly related to the operational, often routine tasks in the field of logistics customer service.

In the process of the achievement of the required level of effectiveness and efficiency of products supplies and markets service an important role is also played by the practices concerning the use of electronic data interchange (EDI), total costs / earnings management systems as well as MRP/DRP/ERP systems. The solutions conditioning continuity, effectiveness, efficiency and reliability of the information flows within the firm as well as within the relations between firms also play an important role in ensuring the service level required by the customers.

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