

## Ways to improve logistics for the benefit of the producers' foreign customers

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**Abstract:** *This study is aimed at the optimization of logistics services for foreign clients. The main objectives of the investigation are: the measurement of the logistics service level for a company's external clients, assessing the current potential of the logistics service strategy offered by the foreign customers' companies, creating a strategy that targets the improvement of the quality of foreign customer service. The instruments used in the analysis can be classified into three major categories: the company's economic results expressed by the measurement of such variables as service level, information from foreign customers consisting of their findings on the investigated matters; conceptual resources regarding the analysis of the customer logistics service level.*

**Key-words:** *supply chain logistics, logistic service, foreign markets*

### 1. Introduction

There are many approaches to customer logistics service, each capturing another special facet of the problem. To obtain a clear image of the concept of customer logistics service, various assessments by specialized authors who tried to describe and explain this concept will be presented.

According to Bălan, C. (2004) the level of customer service is the result of the whole system of logistics activities. Its direct impact on sales and profits is necessary to establish a certain customer service level as an objective of a company's logistics strategy. The logistics service is a part of customer service as a result of all the company's activities. According to Martin, C. (1990), customer service refers to ensuring the products' availability for customers. It starts from the premise that the potential value of the product becomes effective only when the customer takes possession of the product.

The concept of customer service can be analyzed from different perspectives: as an activity; as a level of performance; as management philosophy (LaLonde and Zinszer, 1976).

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The concept of activity-based approach emphasizes customer service management. Considering the level of performance, it is focused on the measurement possibilities. Regarded as management philosophy, customer service reflects the importance that the company gives to meeting customer needs. These concepts related to customer service are also the contributions of prestigious authors, both Romanian and foreign (Costea, 2004; Kotler, 2008; Gattorna, 1999; Hines, 2004).

Another approach to customer service was put forward by Blanding (1974). He stated that customer service is the chain of sales activities and customer need satisfaction, starting with receiving orders and ending with products' delivery to customers. In some cases it continues with equipment maintenance services and other forms of technical support.

## 2. The analysis of the logistic service for foreign clients of a company producing automotive and industrial lubricants (company X)

In 2005, company X faced a reduction in demand from customers in foreign markets. The number of foreign orders dropped by 10% in 2015 compared to 2014, while the number of customers was the same.

In terms of types of ordered products, the biggest demand reduction occurred among products for transport vehicles.

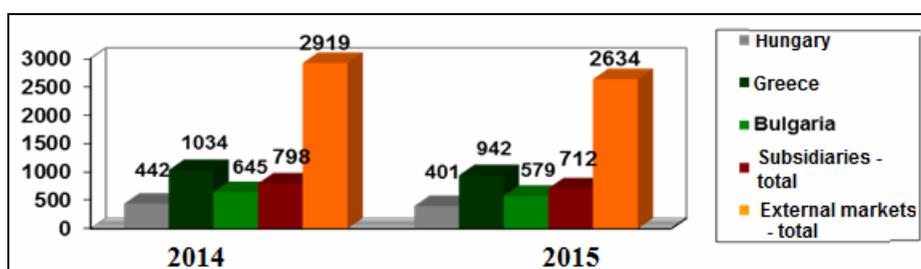


Fig 1. Evolution of the number of external orders received by company X

Analyzing the evolution of demand on each export market, a diminishing trend can be noticed on all three markets. Both the number of customer orders in Hungary and in Bulgaria declined in 2015 by 9% as compared to 2014. The number of customer orders in Greece decreased in 2015 by 11% in comparison to the previous year. This trend can be justified by the reduction of the companies' activity due to the crisis which affected the international economic context. Reducing the number of orders can also be an indication of the diminishing level of logistics service offered by company X to foreign customers.

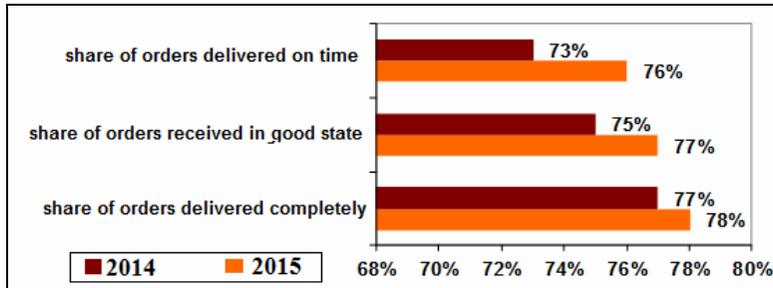


Fig.2. *Variables measuring the company's level of customer service for foreign clients*

The modest values achieved in 2015 by the three indicators which measure the low level of service show the low efficiency of foreign customer service during that year. The negative developments that characterize the variation of the three indicators between 2014-2015, indicate the impact of the company's foreign customer service inefficiency during 2015. In 2014, the foreign client received complete orders in 78 cases out of 100, while in 75 cases out of 100, orders reached the client in good condition. In only 73 cases out of 100, the orders were delivered to the client on time. In comparison to 2014, in 2015 the foreign client received, on average, one less incomplete order, two less damaged orders and three less orders in time.

In terms of seriousness, it can be noted that the main problems the company faced in foreign customer service between 2014-2015 were: unmet delivery deadlines and damaged orders at reception. We can notice in the figure below that the two variables measuring these shortcomings reached the highest values in all the 4 semesters subjected to analysis.

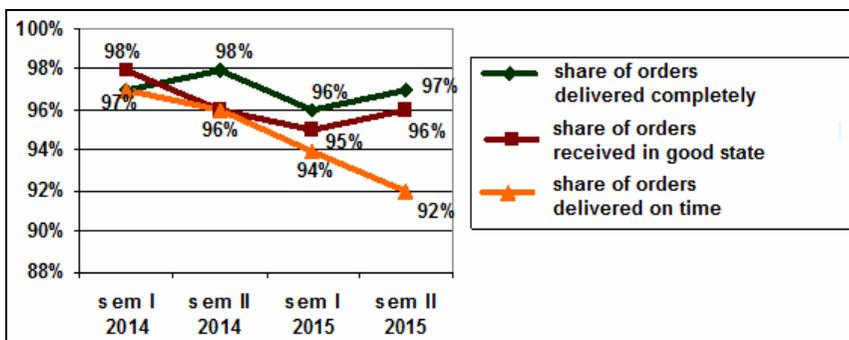


Fig.3. *Variables measuring the level of foreign customer service for company X (own calculation based on company's available data)*

The lowest performance of the foreign customer service level concerned deadlines. The share of orders delivered on time, specified in the total amount of orders, decreased in the first semester of 2015 by 3% as compared to the same period of 2014. During the second semester of 2015, the value was 4% less in comparison to the second semester of 2014. The second weakness of the service was the damaged orders at reception, in terms of low product quality or unsatisfactory condition of orders such as damaged packaging, missing labels, inaccurate invoices.

The share of damaged orders received by customers in total orders decreased in the first semester of 2015 by 3% as compared to the first semester of 2014. In the second semester of 2015, the indicator dropped by 2% in comparison to the second semester of 2014.

There were some problems regarding the delivery of orders in incomplete state. In both semesters of 2015, the share of incomplete orders shipped out of the total number of orders executed increased by only 1% in comparison to 2014.

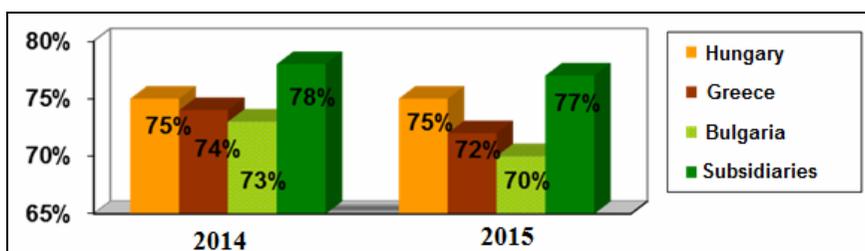


Fig.4. *Share of orders delivered on time by company X (own calculation based on company's available data)*

From the perspective of the most important shortcoming of the service – i.e. the share of orders delivered on time - it can be noticed that in 2015 the level of service decreased, as compared to 2014, for two markets and for the group subsidiaries. The foreign market with the lowest degree of service both in 2014 and 2015 was Bulgaria, while all the group subsidiaries benefitted from the best service.

Considering the evolution of orders on client segments, it can be noticed that there is a downward trend in almost all categories except industrial producers from Hungary and logistics operators from Bulgaria. In 2015 sales recorded an increase of 17% and 5% respectively, as compared to 2014.

The factor that contributed most to the decrease in foreign orders in 2015 was the decrease of orders by logistics operators in Hungary. This is the category with the most consistent decrease of orders (43%), followed by distributors in Bulgaria, with a decrease of orders of 16%, and the distributors in Greece, with a decrease of orders by 13%.

The company's problems in serving customers are the cause of significant differences in the level of demand from one customer category to another and even

the manifestation of contrary trends like a 17% increase of orders from Hungarian industrial producers and a 43% decrease of orders from Hungarian logistics operators.

To discover if some foreign customers receive lower quality service than others, it is necessary that the measuring of the service level be applied independently to each customer category.

With regard to incomplete orders, it can be seen that both in 2014 and in 2015, the logistic firms based in Hungary and Greece received the worst service as compared to other customer categories.

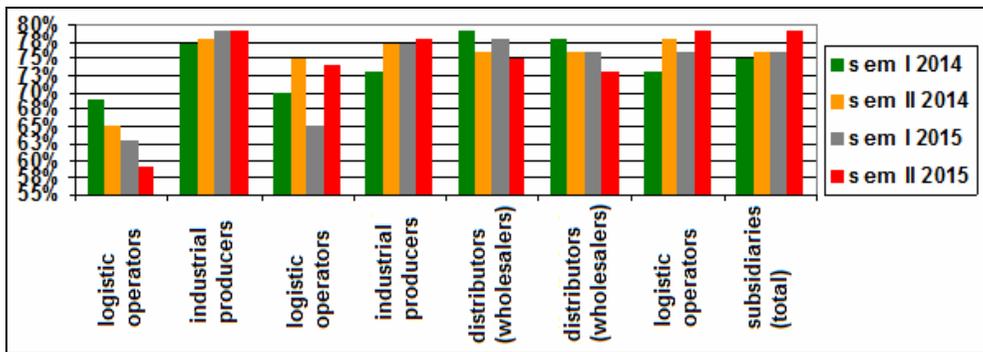


Fig.5. Share of complete orders delivered by company X  
(own calculation based on company's available data)

In the first semester of 2014, Hungarian logistics companies reached 31% incomplete orders and in the second semester this share increased to 35%. Logistics firms and logistics companies from Greece reached a level of 30% incomplete orders in the first semester of 2014, while the share of incomplete orders received in the second semester was reduced to 25%.

The least affected customers in 2014 in regard to incomplete orders were the Hungarian industrial producers, Greek wholesalers and logistics operators in Bulgaria. In the 1<sup>st</sup> semester of 2014, the share of incomplete orders was: 23% for Hungarian industrial producers, 21% for wholesalers in Greece, and 27% for logistics operators in Bulgaria. In the second semester of the same year, the share changed to 22% for the first group of customers, to 24% for the second customer group and 22% for the third category of customers.

Regarding the temporal change of the indicator measuring the share of incomplete orders, service-related discrepancies can be noticed from one customer to another.

For industrial producers in Hungary, the share of incomplete orders decreased by 2% in 2015 as compared to 2014. For wholesalers in Greece, the share of incomplete orders delivered increased by 1% in 2015 as compared to 2014. These

opposing developments reflect the firm's negligence in serving certain categories of customers. It also indicates considerable improvement in service quality for some customers and at the same time a decrease in service quality for other clients, manifested from one year to another. Considering the two trends, it can be noticed that as compared to 2014, in 2015 the quality of service improved for 4 categories of customers and decreased for another 4 categories of customers.

If the issue of incomplete orders delivery seriously affected only two categories of customers, inefficiency of service related to damaged goods seriously affected a greater number of customer categories.

In the second semester of 2014, the wholesalers in Bulgaria received 28 damaged orders out of 100 orders, the logistics operators in Greece received 27 damaged orders, while logistics operators in Hungary received 26 damaged orders and subsidiaries received only 24 damaged orders. The customers that experienced the lowest level of service were the wholesalers in Bulgaria. In their case, the number of damaged orders decreased in the first half of 2015 to only 26 orders out of 100 placed orders, while for logistics operators in Hungary and for the subsidiaries, the number of damaged orders was reduced to 25 and respectively 21 orders out of 100 placed orders.

Another very important variable measuring the potential of logistics service level is the number of complaints received by the firm. For company X, the total number of complaints received in 2015 increased by 21% in comparison to 2014. With regard to the number of complaints, the majority referred to missing or damaged labels, damaged packaging and missing quantities of products.

The only complaints reduced by 27% in 2015 as compared to 2014 were related to missing/non-compliant documents. Both in 2014 and 2015, complaints regarding unmet deadlines accounted for the largest share of the total amount of complaints, followed by complaints about damaged products. The share of complaints related to damaged goods was 37% in 2014, falling by 3% in 2015. The complaints about missing products was 16% in 2014, increasing by 2% in 2015.

In 2015, in comparison to 2014, the number of complaints from 5 categories of customers increased, while the complaints from only 3 categories of customers decreased. The most important growth occurred with complaints from logistics operators in Bulgaria (73%), being followed by a 50% increase of complaints from subsidiaries. The complaints of logistics operators from Bulgaria and wholesalers in Greece grew by 48% and 47% respectively.

In 2015, the number of complaints from the producers in Greece was reduced by 38% as compared to 2014. Also, the number of complaints dropped by 12% for industrial producers in Hungary and by 9% for wholesalers in Greece.

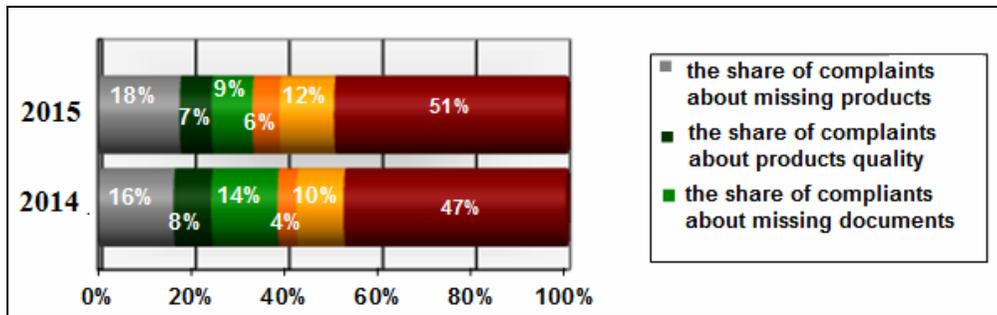


Fig.6. *Categories of complaints received by company X (own calculation based on company's available data)*

### 3. Conclusions

The case study presented in this paper referred to the foreign customers service offered by a producer. The company was a representative example for this case study, approaching some issues related to customers' logistic service.

The analysis performed for measuring the level of the logistics service destined to foreign clients showed a low efficiency of service and a reduction of the logistics service level in 2014-2015.

Regarding the negative impact ranking, the main obstacles encountered by the firm in serving foreign customers were unmet deadlines, damaged products and incomplete orders. In terms of export markets, the worst served market both in 2014 and 2015 was Bulgaria, followed by Greece and Hungary, markets that reached higher values of service.

Regarding the on time delivery, from the perspective of customers categories it was concluded that, the worst level of customer service was for distributors in Greece. With regard to damaged products, the worst situation was that of the distributors in Bulgaria. Regarding incomplete orders, the most affected customers were the logistics operators in Hungary and Greece.

The consequence of bad product quality was the diminuation of external orders received by company X.

Considering the cause-effect relation regarding the repercussions that the service provided in one semester affects the demand on the following semester, it was noted that for the customers who received bad service in 2014, the demand decreased in 2015.

The discrepancies manifested in serving various customer categories involve the emphasis on the improvement of serving foreign clients, with a focus on disadvantaged customers, thus avoiding the possibility of substantially reducing demand for vehicle lubricants.

Failure to meet customers' expectations has negative repercussions both on sales and on the company's image. The service level should be a priority for logistics companies. The impact of customer service on the company's sales and profits justify its importance.

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