Global customer management in the logistics industry: an overview and outlook

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Conference paper STRC 2003
Session Logistics and Infrastructure

STRC | 3rd **Swiss Transport Research Conference**
Monte Verità / Ascona, March 19-21, 2003

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Abstract

Transnational companies (TNCs) represent the lion's share of international logistics business and are often strategic customers for their logistics services providers (LSPs). LSPs' ability to increase their market share and profitability with them is crucial. At the same time, some profound changes in TNC logistics management approach (globalization, information technology, outsourcing) makes it more difficult to manage the relationships with them and to remain a leading supplier. Yet, there is little research on how LSPs cope with this new situation: the literature on global customer management is relatively scant and is very limited in what refers to the logistics industry.

Actually, although the literature on business markets analysis, customer relationship management, and key account management is prolific it addresses only some aspects of global customer management in the logistics industry and leaves many facets uncovered. Conversely, the literature related to logistics companies management is scant and does not deal with this issue. In this context, we conclude that there is a dire need for research and formulate some questions to be further elaborated. Four major areas for further investigation are indicated: the selling process; the development of global customer strategies; the set up of global account management organization; and the role of the global account manager.

Due to the exploratory and managerial-oriented nature of the research, action-research or case study appear to be the most appropriate methodologies.

Keywords

Key account management– Globalization – Logistics – 3rd Swiss Transport Research Conference – STRC 2003 – Monte Verità

1. Introduction

Transnational companies (TNCs) represent the lion's share of international logistics business (CNUCED 2002) and are often strategic customers for their logistics services providers (LSPs). LSPs' ability to increase their market share and profitability with them is crucial. At the same time, some profound changes in TNC logistics management approach (globalization, information technology, outsourcing) makes it more difficult to manage the relationships with them and to remain a leading supplier. Yet, there is little research on how LSPs cope with this new situation: the literature on global customer management is still relatively scant (Millman) and is very limited in what refers to the logistics industry (Sum and Teo 2002). The objective of this article is to review existing literature related to global customer management in the logistics industry and to formulate some research questions and working hypothesis to be further elaborated and tested. The fields covered relate essentially to business markets understanding, customer relationship management, international sales management, international key account management, and global logistics management. The paper is structured as follows: we start by providing some basic definitions and facts about logistics services providers, transnational company, and global customer management. Then we review the main contributions from each field, with special emphasis on the logistics industry. Then we summarize a set of elements and present some questions for further research.

2. Basic definitions and facts

"Logistics services providers", "transnational companies" and "global customer management" are terms that are often used; the objective of this chapter is to provide some basic definitions and facts on these three entities.

2.1 Logistics services providers and the logistics industry

2.1.1 Some definitions and facts

Logistics can be broadly defined as that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption in order to meet customers' requirements (CLM 1995). Typical logistics functions include warehouse management, transportation management and material management (Robeson and Coppacino 1994).

Starting from a list of "logistics activities" and relying on company's analytical accounting, various surveys have tried to estimate the logistic activities as a percentage of the whole production value. An order of magnitude often quoted is between 12 and 20% of the final retail price of current consumer goods. Furthermore, it represents a significant part of the economy as they represent between 10 and 15% of the GDP (xx). IN Europe, it is estimated that about 11.6 million jobs are involved in logistics.

Logistics activities can be performed either by the shipper itself (first party), by another party in the supply chain (second party) or by a middleman not taking title to the product (the third party) (Alfredsson and Hertz, 2002).

The group constituted by these third parties companies or Logistics service providers (LSPs) forms the logistics industry. Actually, LSPs include a large number of very diverse companies. They are logistics dedicated companies that provide a vast array of logistics services including transport, forwarding, warehousing, commissioning, knowledge based supply chain related advisory and other truly transport-related services. (Arthur Andersen, 2000). Although the sector has been historically clearly separated between warehousing companies, international forwarding companies (IFF), and transportation companies focused on a given mode, postal companies, the distinction between the different sectors have been blurring with each companies proposing a wide array of services. However, transport is still essentially structured according to a traditional division into various modes, i.e. transport technologies; most transport companies are specialized in one to these techniques; only few operators are able to operate them in complementary, and possible combined way (Savy 2000).

Furthermore, in an industry dominated by small and medium enterprise, a set of global operators have started to emerge from very different backgrounds: The integrators like UPS, TNT, DHL, FedEx; the forwarders like Panalpina, Circle, Eagle, Danzas, Kühne and Nagel; the maritime companies like NedLoyd, Hanjin, the air company like KLM Cargo, the warehousing companies like Exel, and finally the truck company like Schenker.

The LSP industry is growing essentially due to the combined effect of the evolution of the global production and distribution systems and the trend to more outsourcing. The total logistics flows (either operated by the manufacturer or by a LSP has been growing due to the the globalization of production and distributions that have resulted in higher transportation flows). Second, may be a more determinant factor is the increase of outsourcing. Indeed, logistics outsourcing has been observed as a global phenomenon as report Lieb and Miller (2002) and Murphy and Poist (2000) in the US, Laarhoven et al (2000) in Europe, Sohal et al (2002) in Australia, and Bhatnagar et al (1999) in Asia. For example, in the US, Lieb and Miller (2002) find that in 2000, 77% of the US Fortune 500 "users" are using 3PL services – a number that has more than doubled in 10 years. Moreover, the users paid 31% of their annual logistics-operating budget to LSPs compared to 19% in 1999. According to UNCTAD (1999), the total potential market for TPL is estimated by different sources at $80 to 700$ billion per annum; with aerospace/defense, high tech manufacturing, medical supplier equipment, pharmaceuticals and retail expecting to experience the highest growth.

The outsourcing covers a wide array of logistics services as indicates the report provided by Lieb and Miller (2002) in the US, and Laarhoven et al (2000) in Europe. The most outsourced service include: warehouse management, direct transportation service, shipment consolidation, freight payment, customs brokerage, freight forwarding; then consulting services, carrier selection, rate negotiation, logistics information systems, order fulfillment, product returns, fleet management & operations, relabeling/ repacking,; finally, contract manufacturing inventory replenishment, assembly and installation, order processing and customer spare parts are concerned. The logistics systems concerned are essentially freight payment and accounting, transportation planning/ optimization, shipment tracking, international documentation and warehouse management systems. Van Laarhoven and al (2000) find that there is a trend for selecting one partner for a wider geographic coverage (61% of the partnership includes more that national coverage).

At the same time, LSPs are experiencing a major change in the relationships with their customers. These relationships become more complex and expensive[1]: It is reflected in the length of contracts, the intensity and diversity of both operational and strategic exchanges, the larger scope of activities outsourced, the reduction of the number of logistics providers serving a given customer.

From the user's perspective, the main motivations for outsourcing are better logistics services at reduced cost, exchanging fixed costs with variable cost, simplification of administrative processes, service improvement, strategic flexibility, focus on core, change implementation, and concentration on core business (Bagchi and Virum 1996, Van Laarhoven et al 2000); Cost reduction and service improvement are often raised as central reasons. Finally, an outside trigger is often "corporate restructuring" (Van Laarhoven 2000).

There are other sources of changes in the logistics industry itself. Cooper et al (1991) noted back in the 90's that freight companies with a more recognizably corporate approach were in

[1] Surveys conducted in USA, Europe and Asia report a major shift in the nature of the relationships between shippers and their logistics providers Several surveys attest this shift: For example, in USA (Lieb and Miller 2002, Murphy and Moist, 2000), in Europe (Laarhoven et al 2000), in Australia (Sohl et al 2002) and in Asia (Bhatnagar et 1999). This evolution is stronger when it refers to transnational corporations).

the ascendancy. Some intermediaries have started to emerge such as EDS who provide IT and knowledge based services for managing the logistics chain. The logistics services market is has been historically highly regularized with a significant part of logistics services or infrastructure provided by the state. There is a global wave of deregulation (see UNCTAD 1999 for the detail) At the same time there is a growing pressure to move to cleaner logistics and especially transportation (for e.g. in land transportation). If the e-commerce vague (at least its B2C forms) and its direct delivery model seems to bring less changes than expected, recently the problem of terrorism has become of increasing interest, as transportation means have become privileged targets or even means for destruction.

2.1.2 The way ahead: major challenges for LSP companies

Logistics services providers and particularly major ones stand at cross-roads: While the restructuring of LSP base continue by manufacturers, the question of positioning as a 1st tier provider will become ever pressing and companies which will act in lower zone will have their development compromised and will feel an increased pressure on costs. In this respect having a state-of-the-art IT system will become a key differentiator. While the deregulations in the transportation industry seems to have somehow slowed down the ability of major players to benefit from these opportunities (either in terms of market or human resources) will be determinant for their success. As the environmental pressure is expected to get stronger, LSP will have to position strategically in the right mode and/or to improve the environmental performance of their operating system in order to provide cleaner service to their clients. The impact of anti-terrorism on logistics activities is likely to improve introducing some additional costs and delays in the logistics chains. Companies that will be able to find out innovative solutions to bring them down (possibly by using less exposed routes) will be better off. The pressure of the human forces in the logistics industry cannot be underestimated as recall regular strikes in the sector. The logistics providers have to find out solutions to prevent these conflicts. Some of these challenges can be resolved on one's own but certainly there will be an increased role for coordination at the industry level and some involvement with the manufacturers and the state. Finally, all these challenges will take a special importance for global customers that demand the higher level of performance and the ability of being leading providers to them is therefore of paramount importance for LSP.

2.2 Transnational companies[2]

According to the CNUCED (2002), transnational companies (TNC) are companies that have operations in at least two countries. In 2002, there were about 65'000 TNCs worldwide with about 850'000 foreign affiliates across the globe. Their economic impact can be measured in

[2] We use without distinction trans-national and multi-national and customers and account. The word multinational is more common that the word used by economist trans-national. Transnational corporations include all companies that have operations in at least two countries. Furthermore, account is typically used in the sales approach and we prefer the word customer.

different ways. In 2001, foreign affiliates accounted for about 54 million employees, compared to 24 million in 1990; their sales of almost $19 trillion were more than twice as high as world exports in 2001, the stock of outward foreign direct investment (FDI) increased from $1.7 trillion to $6.6 trillion over the same period. Foreign affiliates now account for one-tenth of world GDP and one-third of world exports. Moreover, if the value of worldwide TNC activities associated with non-equity relationships (e.g. international subcontracting, licensing, contract manufacturers) is considered, TNCs would account for even larger shares in these global aggregates. The world's largest TNCs dominate this picture. For example in 2000, the top 100 non-financial TNCs accounted for more than half of the total sales and employment of foreign affiliates and their importance is increasing.

Transnationality

The CNUCED has defined a transnationality index defined as the average of the three following ratios for the firm: foreign assets/ total assets; foreign sales/ total sales and foreign employment/total employment. Between 1991 and 2000, the average transnationality index value of the world's top 100 TNCs rose from 51 percent in 1991 to almost 56 percent in 2000 (CNUCED 2002, p96)

Some distinction can be also operated in terms of internationalization strategies.

Dimension	Setting in a pure multi-domestic strategy	Setting in a pure global strategy	Setting in an integrated network strategy
Competitive moves	Stand-alone by country	Integrated across countries	Moves based on local autonomy and contribution of lead subsidiaries, globally coordinated
Product offering	Fully customized in each country	Fully standardized worldwide	Partly customized, partly standardized
Location of value-adding activities	All activities in each country	Concentration: one activity in each (different) country	Dispersal, specialization, and interdependence
Market participation	No particular pattern; each country on its own	Uniform worldwide	Local responsiveness and worldwide sharing of experience
Marketing approach	Local	Integrated across countries	Variation in coordination levels per function and activity
Logistical network	Mainly national; sourcing, storage and shipping on a national level and duplicated by country	Limited number of production locations that ship to markets around the global through a highly internationalized network with limited localized warehouses and resources	Balanced local sourcing and shipping (e.g. for customized products and local specialties) and global sourcing and shipping (for example for commodities)

TNC are developing international logistics strategies following the internationalization of production systems. Van Hoek (1998) notes that reconfiguration path vary largely across companies. He suggests that the main differentiators are the starting point (is the base structure localized or globalized) and the tradition (does the company have a long preceding history with the baseline in the market, or can it build up from scratch, in supply chain terms).

Furthermore, outsourcing is one of the most significant elements of internationalization (Harrison and van Hoek 2002).

2.3 Global customer management

In this article, customer management refers to all the management activities that relate specifically to a given customer. Global customer management refers to the management of global customers – i.e. of TNCs that display a significant degree of transnationality. Typical measurement measures associated with this approach will relate to relationship profitability, customer satisfactions, customer penetration, contract renewal, etc. This approach is therefore trans-functional.

3. Buyer-seller interaction

There are several approaches to look at how companies interact. In particular one has been to look at how the purchasing decision and a broader on how they interact once the purchasing decision is made (in operations; specially for service parts). We have to look at these two aspects because they increasingly become linked specially in the service business. Hereafter, we review these two elements.

3.1 Industrial purchasing

3.1.1 The traditional approach (before the 80's)

Till the 80's, most industrial marketing research was mainly oriented towards two directions (Bonoma and Johnston 1978, Ford 1990). The first was centered on industrial customers with the objective of understanding purchasing decision and factors affecting the supplier choice. The second was focus on the marketing decision from the supplier's viewpoint, looking at the effect of a given combination or a given element of the marketing mix on industrial markets, also as on the organizations best adapted to implement them. They proposed several models (e.g. the Buygrid model of Robinson and Faris, 1967) to identify parameters that influence purchasing behavior; the role of selection data, the people who intervene in purchasing-decision center and the purchasing process steps. In particular, they consider the process as "monolithic" in the sense that the selection criteria and the participants are not linked to a specific phase of the process. Today, several survey adopt these rather simplistic view when identifying selection criteria.

In logistics, for example, Sink et al (1996) cite a series of factor that are considered by US customers in their buying process: they include the compatibility of information systems, technical competence, experience in a particular industry, financial strength, credible client references, personal contacts and capacity; furthermore, they regard for flexibility, responsiveness, direct or transferable expertise, a knowledgeable sales force; price was used as a tie-breaker, or considered a secondary issue to service. In Singapore, Bhatnagar et al (1999) find that the most commonly cited factors affecting the final selection of contract companies include the price, the quality of services, reputation, range of services and relevant past experience. Bradley (1993, 1994) Cavinato (1991), Maltz (1995) provides further important criteria for selecting TPL in the US.

3.1.2 The inductive approach[3]

The inductive stream wanted to check some of the assumptions and thus the Supplier Choice Model de Woddside and Vyas (1984, 1986, 1987) and Matbuy model de Moller (1981). Their work indicates a pre-selection phase and a dynamic form of criteria and actors for each of the phase. An example of the inductive approach is the work of Andersson and Norrman (2002) on advanced purchasing in logistics. It shows that the purchasing process can last up to 32 months. Furthermore they show that the service definition was made or re-made jointly after the provider was selected in a phase that they have broadly termed negotiation.

3.1.3 The interactive approach

The dyadic approach

Contrary to the traditional approach, the dyadic approach propose that the smaller unit analysis must be the dyad (two people, two companies), in a transaction and not reaction, and which actions depend more of social and power factors (trust, cooperation) that rational and economical parameters. The most representative model is the Exchange Model of Industrial Marketing (EMIM) (Bonoma and Johnston 1978).

The Interactive approach

The IMP group is part of the "Scandinavian school". The fundamental idea is that transactions happen in the context of a long-term relationship[4] . For example that a supplier can expect the same from its customer if it is brand new or if they are have been doing successful and co-operative business for years. In their views, companies are connected through relationships[5].

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[3] The inductive approach aims at describing a phenomenon with the minimal theorization or modeling prealable possible by a direct research (Mintzberg, 1979) to avoid the unique "posteriori" discourse of actors. On the contrary the deductive approach usually makes the theoretical hypothesis of a model that it will test on the gathering of pre-codified data said by actors. A widely used method is the Decision System Analysis (DSA) developed by Capon and Hulbert (1975) at the University of Columbia. This method was developed in the 70's by the realization that there was a strong difference between reality and theory.

[4] The relationships supplier/customer must be looked with a perspective of long term and not as a succession of transaction isolated in time and space, almost independent from each other. Indeed buyers usually by repetitively from their suppliers (59% of companies just have 10% of new customers each year, Salle 1984).

[5] Hakansson and Snehota (1994) define a relationship as "a mutually oriented interaction between to reciprocally committed parties" and later that that they are "organized patterns of interaction and interdependence with their own substance" in Hakansson and Snehota (2000). Therefore, a relationship is neither a dichotomous variable, neither something intrinsically good or cooperative (Turnbull et al, 1996; Hakansson and Snehota, 1994; Anderson and Narus, 1991; Hakansson and Snehota 2000). For example, they can range from short-

These relationships can take the form of actor bonds, resource ties, and activity links[6]. They develop with time. They result in an atmosphere (e.g. power)[7] that influences the transactions. In turn, the relationships evolve during transactions (in particular with the social exchanges) but also with some adaptations and institutionalization. In many instances, these relationships are close, complex and long-term (Turnbull et al, 1996).

The interaction approach generated a model comprising four main, interdependent, dimensions (IMP group, 1982): **The actors in interaction**, i.e. supplier an customer firms which are characterized at three levels: the social groups going to make up the supplier and customer organizations; organizational characteristics such as product or production technology used by them, formal and informal structure and strategy etc; and the individuals going to make up the organizations, and their experience, objectives, expectations. **The interaction process** can take many forms (interpersonal contact, negotiation, adaptation, etc.) during which products and services, information, financial and social elements are exchanged. They can be analyzed with a short-term perspective looking at "episodes" or with a long-term perspective looking at the relationship. **The relationship atmosphere** generated by interaction processes over tie, in particular social exchange, and conditioned by the actors in interaction and the environment. This can be characterized by such concepts as power and dependency, conflict and cooperation, trust... The atmosphere influences the interaction process itself. **The environment of the relationship between the two parties** refers to elements such as the market structure, dynamism, internationalization, position in the manufacturing channel, social system etc.

Hakansson and Snehota (1994) have suggested that the substance of the relationship can be analyzed through 3 elements: activity links, resource ties and actor bonds. Activity links reflect essentially the need for coordination and will affect how and when the various activities are carried out. These activities can be technical, administrative or commercial and they can

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term relationships to complex and close relationships. They can be the result of conscious choice or not (Hakansson and Snehota 1994). According to Hakansson and Snehota (1994), the exchange interaction between companies in industrial markets can be fruitfully described in terms of relationships essentially for two reasons: one is that actors themselves tend to see their interactions as relationships, another is that the interaction between companies over time creates the type of quasi-organization that can be labeled a relationship (Blois, 1972).

[6] In the logistics, these connections can be illustrated as follows: There is an activity link when companies coordinate some activities in the shipment. For example, a customer will send shipping information to both the supplier and the logistics providers so that they can prepare simultaneously for the shipment. An example of horizontal activity links is the picking of the goods at a customer warehouse that has to be coordinated with the subsequent loading in the truck. Resource ties can be dedicated physical resources such as warehouses, distribution centers or trucks or other specific knowledge or less tangible assets such as IT infrastructure and systems and special training. Actor bonds are bonds between the people involved in the relationships such as purchasing managers and logistics managers from the manufacturing company and the logistics suppliers key account managers.

[7] The previous experience of individuals and their companies in that relationship and in others are important influences on attitude and behavior in both purchasing and selling

be linked sequentially or horizontally (in parallel). Resource ties bring together, confront and combine some of the resources of the two companies. These resources – manpower, equipment, plant, knowledge, image and financial means – sustain business activities. Actor bonds connect actors and influence how the two actors perceive each other and form their identities in relation to each other. Actor bonds develops partly but not exclusively from the interaction process. They result from the social process that takes place between the individuals forming the collective actor. Typical dimensions are commitment, identity and trust. These three layers interact: for example, the existence of bonds between actors is a prerequisite to the development of strong activity links and resource ties. Activity links make it likely that bonds develop, and so on. Indeed, changes in connections account for much of the dynamics in business relationships. Furthermore, there is a tendency towards some kind of balance in activity links, resource ties and actor bonds as the substance of a relationship develops in an incremental way and solutions are sought by the companies in the vicinity of the existing ones. The balance can, however, be on very different levels.

Some work to increase the understanding of interaction processes (Cunningham and Turnbull, 1982; Ford 1982; Hallen and Wiedersheim Paul 1984; Hallen and Sansdtron, 1988); To use the interaction model in a broader perspective formed by interconnected partners (Johanson and Mattson 1987, 1988; Spencer and Valla, 1989).

3.2 Inter-organizational relationships

With the IMP school emphasis on relationships, as determinant to understand the transaction, there was a growing importance on studying the forms of these relationships. The initial focus was on personal relationships especially in the sales and marketing interface; however, it soon extended to other functions in the department.

An important question is to know what kind of relationships are to be expected and how they develop. In this respect, marketing research joined other stream of research related to inter-organizational research and economic law (contract). In the logistics industry, an applied research has been done in the general framework of supply chain management.

Industrial markets are stable due to the existence of high switching cost (Williamson 1975) between different players of the industrial system and specifically between suppliers and customers and due to the complexity of relations between buying and selling decision groups (Salle 1983; Arnaud, Salle et Valla, 1986). Indeed, it is common to observe that a given provider work with a limited number of clients. Similarly, there is only a limited number of suppliers able to provide a specific service to a given client. This stability in relationships can be explained by the integration of the supplier and the customer in a network of relationships between several organizations (Johanson, 1989). At the end, the fluidity between organizations is extremely considering the dense net of interconnections linking organizations.

Ford (1980) proposes a rather complex classification based on five variables: experience, uncertainty, distance, commitment and adaptation. According to the author, these elements evolve in parallel with the development of the relationships. At one extreme, we have low experience, high uncertainty and distance, low actual and perceived commitment while the adaptation consists essentially in a high investment of management time. At the other extreme, we find relationships in which experience is high, minimum level of uncertainty and distance, actual maximum commitment and extensive adaptations and institutionalization. Furthermore, he postulates that business relationships essentially developed overtime through he postulates that business relationships essentially developed overtime through five stages. They develop from the pre-relationship stage, to the early stage, to the development stage, to the long-term stage to end up in the final stage. The distance and in particular the social distance has a particular importance for the author and reinforces the importance of time. However, the author insists that the relationship development process is not inevitable. This point is further made in Ford et al (1986) where they argue that relationships are in no way deterministic and that relationships may develop, stagnate or be close or distant depending upon variations in commitment and expectations.

Dwyer and Oh (1987), use the metaphor of the marriage to explain business relationships. According to the authors, relationships evolve through five general phases identified as awareness, exploration, expansion, commitment and dissolution. Each phase represents a major transition in how parties regard one another. In the awareness phase, there are unilateral considerations of potential exchange partners; in the exploration phase, dyadic interaction occur, a gradual increase in interdependence reflects bilateral testing and probing; termination of the fragile association is simple; in expansion, a successful power source exercise marks the beginning of expansion; mutual satisfaction with customized role performance supports deepening interdependence; additional gratifications are sought from the current exchange partner, rather than from an alternative partner; finally, in the commitment phase, contractual mechanisms and/or shared value systems ensure sustained interdependence. Mutual input is significant and consistent. Partners resolve conflict and adapt.

Wilkinson and Young (1994)[8] classify the relationships into high and low cooperative and competitive groups. Cooperativeness refers to the extent companies trust and are positively motivated to each other. Competitiveness refers to the extent the other trading partner tries to gain advantage at the other's firm expense. Wilkinson and Young (1994) show that there is no clear way on which the relationship developed as it was suggested in the model of Ford and Dwyer and Oh and thus challenge the relationship development model. They propose a dancing metaphor that it to reflect better the dynamics of the relationships.

According to Syson (1992), the key factor that affect the relationship are the strength of the buying company in the buyer-supplier relationship, and the number of suppliers able and willing to supply a product in the short-term. In his view, the customer seeks to maximize purchasing power when it can. He then differentiates between strategic, bottleneck, non-critical and leverage items. Chen (2001) conducts a survey in the projects formed by US firms and foreign partners and finds that more dynamic and complex environments provide stronger incentives for firms to select contract-based alliances (as opposed to equity-based alliances). In addition, nationality of partners has a positive effect on the choice of alliance forms while industry and the number of the partners moderate the relationship between the environment and the choice of alliance forms. Other work has focused on relations between supplier/clients relationships and the characteristics of the players or the environment. For example, the work of Turnbull and Valla (1986), of Johanson (1982) and of Salle (1983) focus on the influence of technological characteristics of the provider or of the client, or of the two organizations and the nature of the interaction. Turnbull and Valla (1986), Halle and Johanson (1984) identify

[8] They use this classification to classify more than 600 interfirm relations based on more than 1000 interviews.

the influence of the international dimension identified by the country of origin of the supplier and of the client on the characteristics of their interaction:

Relationships between LSP and their customers can take many forms. A set of these forms has been observed in the case of logistics companies and the classification provided are similar to the one provided for more general buyer-seller relationships. According to Cooper and Gardner (1993), relationship style form a continuum from arm's length relationship style at one extreme (characterized for example by a focus on price, and by few points of contact between the organizations concerned), to full integration at the other (characterized for example by integration of processes, and by contact at all levels). For Harrison and Van Hoek (2002), partnerships can be of three types: cooperative, coordinated and collaborative. They represent intermediary states with the progressive extension of the scope of activities and the time horizon. PRTM (2001) differentiate ad-hoc relationships, from "one-way" relationships, from "partnerships". In ad-hoc relationships, selection is based on immediate needs, is governed by ad-hoc purchase orders and with a minimal interest in partner's long-term growth/gain. In "one-way" relationships, the selection is based on need over life contract, relationship is governed by contracts, there is minimal joint planning (only when absolutely required), no joint optimization and there is an interest in partner's growth only if it directly benefits the company. Finally, in partnerships, the selection is based on long-term strategic plans and capabilities, relationships are governed by Joint Service Agreements, Joint planning is conducted regularly, the optimization is done across the partnership (not just one company) and the partner's growth is seen as a long-term strategic objective.

Analyzing cooperative logistics relationships in the US, Stank and Daugherty (1996) find that three environmental factors (asset specificity, environmental capacity, and environmental volatility) were determinant for the formation of cooperative relationships. These factors relate to resources and resource management. They also found that two factors (transaction volume and environmental concentration) influence negatively the formation of long-term cooperative relationships. They relate to the impact of demand/ supply characteristics on exchange arrangement choice. It looks like if manufacturers refused to enter into collaborative relationships with providers in order to either to leverage their purchasing power or to remain independent. Bowersox (1989) characterizes the relationships according to two dimensions: integration and commitment. According to this grid, relationships range from a single transaction, to repeated transactions, to a partnership agreement, to a third-party agreement and finally to an integrated logistics service agreement. Using Bowersox classification of relationships (1989) and transaction cost analysis (Williamson, 1975, 1985), Larsen (1999) argues that and relationships between TNC and LSP essentially depend on the asset specificity and the uncertainty. In the asset are non specific than relationships between customers and LSP will be market based; for an average specificity, the partnership or TPL contract will be favored; finally in case of high specificity of assets, there are two possibilities: if the uncertainty is large then logistics may be done in-house; if it is small, it can e either in-house or dedicated. Adapting the service matrix from Makelin and Vepsalainen (1990), Bask (2001) indicate that customer relationships depends on the complexity of service. They will be loose for routine TPL services, moderate for standard TPL services and close for customized services. Finally, Virum (1993) classifies the TPL alliances in terms of the characteristics of the providers and what they offer. They are differentiated depending on the level of specialization of the services and whether there is a focus on activities or on resources. General providers there is a sharing of standard resources; specialized providers share resources for a given type of goods and finally dedicated providers share resources utilized by only one user.

4. Customer relationship management

Following the previous discussion, it results that customer relationships have to be managed efficiently and strategically: the relationships are central for winning future business; relationships are vital for technology and knowledge development and for winning new customers. Finally, because relationships are costly, it is important to develop them efficiently. Customer relationship management refers to the analysis of the relationship with a customer; the planning of strategies and its implementation and control for the goal of the organization. According to Turnbull and Valla (1986), relationship strategy comprises the tasks of managing each of these relationships both individually and as part of an interrelated portfolio, each element of which has a different function for both of the parties involved (Turnbull and Valla, 1986). Furthermore Hakansson (1982) refers to the handling and limitation problems to identify problems related to the efficient management of a single relationships and the overall selection to be done to focus on a set of customers. Hereafter, we present first the development of customer relationship strategy and then the single relationship management.

4.1 Customer relationships strategy

Developing customer relationships is resource intensive; accordingly the company has to allocate its resources between different relationships according to their likely return (Ford 1980). A supplier has to manage its portfolio of relationships as a totality, according to the respective contributions of each one to its corporate success, the risk that each involves, the demand that each makes on his resources and the effect that each has on his other relationships (Ford et al 2002). It implies that the customer relationship strategies have to be viewed in the context of other relationships in particular to achieve a balanced portfolio. It is thus important to analyze the relationship in terms of both its individual value but also with the context of others.

4.1.1 Portfolio and Customer analysis

Portfolio theory applied to the customer base can help maximize long-term profitability (Turnbull 1996). Fiocca (1982) and Campbell and Cunningham (1983) provide a model based on customer relationships.

Shapiro et al (1987) produced a matrix to classify customer types on “cost to serve and net price dimensions”. They identify four types of customers – passive, carriage trade, bargain basement and aggressive – and argue that profitability will vary between the groups.

Krapfel et al (1991) suggest a model in which relationships types and relationship management modes are mapped together to assess the optimal relationship portfolio. This mapping takes into account the transaction costs involved. As part of the relationship management process they also recognize the importance of matching the relationships and signaling intentions to partners. They see signaling as an important aspect in the adaptation process. The relationship types they identify (partner, friend, acquaintance and rival) are determined by two factors: relationship value and interest commonality. While the relationship management modes, again identified two dimensionally by perceived power position and interest commonality, suggested are collaboration, negotiation, administration, domination, accommodation and submission).

An indicator of the power balance in buyer/seller relationships can be the number of supplier and buyers which operate in the same market (Campbell and Cunningham 1983). Finally Turnbull and Zolkiewski (1995) suggest a three dimensional grid, with cost to serve, net price and relationship value. However, these methods are not used in practice for two main reasons: first, the cost of analyzing a relationship is usually too high with many customers; second, managers have to make active choice which is painful (Turnbull et al 1996)

Campbell and Cunningham (1983) propose a method based on three steps: life cycle classification of customer relationships (customers are classified in tomorrow's customers, today's special customer, today's regular customers and yesterday's customer according to sales volume, use of strategic resources; age of the relationship, the supplier's share of the customer's purchases and the profitability of the customer to supplier); customer/competitor analysis by market segment (based on growth rate of the customer's market and the buyer's relative share of the customer's purchases) and portfolio analysis of key customers (based on competitive position and growth's rate of customer's market).

Krapfel et al (1991) discuss a strategic approach to managing buyer-seller relationships and suggest for customer-specific factors of relationship value, which in turn reflect attractiveness. The factors are: criticality (the degree of technical or market substitutability of a good or service, and its contribution margin), quantity (buyers that consume more critical outputs are more highly valued), replacability (costs of losing the present partner and finding a new one) and slack (measures the buyer activities that reduce the seller's internal economic process costs).

There are other complementary tools to help performing these activities. For example, some models try to help the seller to assess the customer life value based on revenues and cost over the life of the customer (see Jain and Singh 2002 for a review). However, some indirect revenues (and cost) should be watched out such as the transfer of knowledge[9] (e.g. idea generation), reputation value in the business network. Another tool is relationship audit (for example Ford et al 2002) based on Hakansson and Snehota (1994) theoretical model.

4.1.2 Generic strategies

Several authors have proposed different strategies for a customer. Diller (1989) suggests the following four strategic alternatives: avoidance of powerful accounts; power dominance based on a certain competitive advantage; partnership; and accommodation. Krapfel et al (1991) suggest six strategic relationship alternatives in terms of the power position and interest commonality: collaboration, negotiation, administration, domination; accommodation and submission. Mc Donald et al (1996) point out that a strategy can be merely to keep the relationship alive for future opportunities.

[9] Yet, Campbell and Cooper (1999) found that new products developed in partnership are not automatically more successful than those developed in house

4.2 Individual relationship management

Once the relationship type decided, it is necessary to implement this relationship with the relevant customer through tactics. According to Ford et al (2002), managing a single relationship involve the following tasks: learning from the customer, investing in relationship, making and controlling adaptations to each relationship, developing and demonstrating commitment and trust between customer and supplier, managing distance between companies, managing and exploiting power and dependence, managing conflict, managing communication and influence.

4.2.1 Relationship tactics

The communication and coordination can be developed, for example, by adjusting the organizational structure to correspond to the key account's global and local needs (McDonald et al., 1997) and by increasing the number of interfaces between the selling company and the account (Araujo et., 1999) and thus also the number of interacting persons. In particular, one tactic is to establish a key account management organization which objective will be to focus on a set of strategic customers. This important seller-led initiative will be described in more detail in chapter 6.

4.2.2 The sales management literature

The traditional sales management literature focuses on the management of sales (unique transaction) but little on customer relationship management (Wilson 1997). However, in industrial and organizational markets there is a move away from the use of traditional selling skills towards a more consultative approach to the delivery of value to consumers. Consultative approaches to selling stress the problem solving nature of the buying/selling task. The changing roles performed by sales people reflect the increasing importance of long-term relationship and a focus upon the management of key accounts. The literature on international sales management is extremely limited (Baldauf et al 2002). Rare exceptions include Lewin and Johnston (1997), who explore and discuss the uniqueness of international sales force management. They discuss the advantages and disadvantages of dealing with international intermediaries and the specific issues associated with international sales force organization. In particular, they insist that industry; company and environmental elements should be considered. They also insist that recruitment and selection, training, and motivation and compensation should be careful planned. The ultimate message of the authors is that sales forces are highly linked to markets. Honeycutt et al. (1996) go in the same direction.

5. Key account management

An important way for companies to operationalize customer management has been to set up key account management programs and organization to manage their strategic customers. Their functioning has been analyzed in the literature. In this chapter, after reviewing the definition of key account management, we discuss its benefits and costs, the possible organizational forms, the role and profile of the key account manager. We end up by a discussion on international key account management and its ultimate form global key account management.

5.1 Definitions

5.1.1 Key accounts[10]

Millman and Wilson (1995) define a key account as a customer in a business-to-business market identified by selling companies as of strategic importance. Key accounts can be very diverse (Spencer 1999). They may be small or large by comparison with the seller; operate locally, nationally or globally; exhibit a willingness to forge close, long-term relationships with sellers, or operate at arms length and be brutally opportunistic in their dealings (Millman and Wilson, 1995).

5.1.2 Key account management

Several authors have defined key account management[11]. For example, Millman (1996) defines KAM as "an approach adopted by selling companies aimed at building a portfolio of loyal key accounts by offering them, on a continuing basis, a product/ service package tailored to their individual needs". He later insists that insist that key account management is first and foremost a process of customer management in business-to-business markets (Millman and Wilson 1999). For Pardo (1999), key account management is essentially about selecting the "key accounts" and providing them with a special treatment whose central aspect is the elaboration of an adapted offer. Kempeners et al (1999) define it as "the process of building and maintaining relationships over an extended period, which cuts across multiple levels, function, and operating units in both the selling organization and in carefully selected customers (accounts) that contribute to the company's objectives now or in the future. Ojasalo

[10] There is a set of slightly different terms in the literature that are used interchangeably such as strategic accounts, major accounts (xx), national accounts (Shapiro and Moriatry 1984), global accounts however, the key account terminology focus on the strategic dimension of the customer. Major, national and global can rather be perceived as sub-categories of key accounts (Millman and Wilson, 1995)

[11] Respectively, major account management, national account management or strategic account management.

(2001) adopts a functional perspective when he defines KAM as "the selling company's activities including identifying and analyzing their key accounts, and selecting suitable strategies and developing operational level capabilities to build, grow and maintain profitable and long-lasting relationship with them". These definitions points to some complementary aspects of the key account management. They insist on the importance of building and maintaining "long-lasting relationships" (Millman 1996, Kempeners et al 1999, Ojasalo 2001). However, building long-lasting relationships is not an objective per se, they have to be profitable (Ojasalo 2001) or more broadly to be oriented towards the suppliers' organizational goal (Kempeners et al 1999). A central element in key account management is also the differentiation in the handling from key account from other accounts (Millman 1996, Kempeners 1999, Pardo 1999, Ojasalo 2001). Finally, key account management can be see seen as a management process (Kempeners 1999), in that sense it would follow the typical management process of analyzing, planning, implementing and controlling (Kotler et al 2002)

5.2 Benefits and risk and drivers for KAM

Launching a key account management program is a strategic decision associated with both costs and benefits.

5.2.1 Benefits

Although classical goals of marketing management such as sales volume, market share and marginal are still important in KAM, Storbacka et al (1999) argue for the KAM goals to be shareholder value and profitability. Less effort and cost in obtaining the correct goods and priority purchasing when goods are in short supply; quantity discounts and customized; value-added services (McDonald et al 1997). When the selling company has a positive image, cooperation with the company also improves the account's own image and can be a valuable reference in the account's own marketing activities (Ojasalo, 2001). Competencies development and learning can represent a significant relationship benefit. Xx develop this view in the context of the logistics industry with the concept of "insourcing" resources rather than outsourcing logistics. For Boles et al (1999), it enables the development of better relationships with customers; to increase profit margin; to receive business from customers; maintain a more stable customer base (Boles et al 1999). It also increase switching cost by closer working relationship; improve internal and external communication; more productive follow-up on sales and service to major customers. According to Shapiro and Moriatry (1984), the primary benefits of setting a KAM organization is to have a clear identification of strategic customers; to improve the internal and external communication regarding them; third, to achieve more productive follow-up on sales and service as a result of increased focus; Finally, to increase the productivity of calls. Finally,

5.2.2 Costs

KAM is also associated with high cost and potential risk. Pardo (1997) notes that the buyers can have contrasted perception of a KAM program. The "disenchanted" consider the key account management programs offered were either invisible or just "gadgets"; the "interested" see the key account management programs as an effort on behalf of the supplier to improve customer/supplier relations, but which remains rather limited; the “fans” believe the key account management programs are really beneficial in customer/supplier relations. Accounts can exploit their power position to get discounts and extra services (Shapiro and Moriatry, 1984). Indeed, quantity discounts and customized, value-added services also may be expected outcomes of being named a key account (MacDonald et al., 1997).

5.2.3 Drivers

The recent growth in the number of key account organizations has been so strong as to suggest that virtually all-major industrial organizations use the concept in some form (Millman 1996). The benefits suggested in the previous paragraph are taking even greater importance due to increased focus by supplier on markets that represent core competencies (Boles1999), the trend towards supply-chain integration and lean supply/manufacturing.

5.3 Organizational issues

The organization of KAM system has been viewed as one of the critical question as it refers to the introduction of transversal responsibility. Shapiro and Moriatry (1984) describe five major types of account management systems or, as they call them, “programs”: no program (no account management system at all); part-time program (an account management system in which people with other responsibilities also accept the responsibility of looking after major accounts); full-time program at operating unit level- division or group (a full-time account management system in which the account management system is decentralized at business unit or division level); corporate-level program (a centralized account management system); a national account division (a separate and fully integrated operating unit that serves accounts and their needs). Based on Shapiro and Moriatry (1984) categories, Kampeners and van der Hart (1999) identify 15 key decisions to design an account management organization. They refer to the positioning of account management system, the positioning of account manager, the levels of account manger; and the organization of account teams. The researchers also point out that there is not a single solution for designing an KAM organization.

The key account manager is a central person in this organization. Mc Donald et al (1996) define the key account manager as the person in the selling company who represents “the selling company’s capabilities to the buying company, the buying company’s needs to the selling company, and bring the two together”. Its responsibilities are often complex and varied, and therefore require a large number of skills and qualifications (McDonald et al, 1996). We discuss its role and profile in more detail below.

The key account team includes more than the selling people According to Pardo (1999). Consistent with the terminology provided by Shapiro and Moriatry (1984), she indicates that the KAM team can be best perceived as a support system which members are typically located in several functions. She continues by questioning the term of “team”, considering that indeed the main characteristics of these teams are the absence of any hierarchical link between the key account manager and the support systems.

Senior commitment involvement is important as it demonstrates commitment in the eyes of customer (Millman and Wilson 1999). Boles et al (1999) find that the head of sales, the head of marketing, the head of strategic account program or in some cases by the CEO usually head KAM programs.

5.4 The kam role and profile

Millman and Wilson (1995) note that while they are not in a position to offer a tight prescription of the key account manager's role, they see for fundamental roles: responsibility for sales/profit growth of one or more key accounts, consistent with the business objectives of the seller's total portfolio of key accounts; coordination and tailoring the seller's total offering to key accounts; facilitating multi-level, multi-functional exchange processes; promoting the KAM concept in his/her own company. Millman (1984) furthermore see the key account manager in a "boundary-spanning" role where the incumbent is simultaneously negotiator, consultant, interpreter of customer needs/values, mediator, customer's advocate/friend, information broker, and so on. According Millman (1996), the boundary-role of the key account manger is pivotal in the development of buyer/seller relationships. This demands the recruitment and training of high caliber people who are not only sufficiently "rounded" to be able to diagnose/analyze complex commercial and technical situations; but also equipped to cope with highly politicized interaction, together with personal tensions and ambiguities inherent in the boundary-spanning role. He argues that KAM essentially has 7 roles: coordination, key account planning, external relationship management, internal relationship management, sales and profit responsibility, negotiation and multi-cultural teamwork.

For Pardo (1999), the key account manager is before all a facilitator rather than "the one voice" vision. She also sees it as an "animator of internal resources". She adds that this role is complex mainly for three raisons: the role is difficult to pin down (paradoxically, the customer focus implies a great deal of internal coordination); it asks for real leadership skills; a dynamic mission (indeed, it is a dynamic process).

McDonald et al (2000), indicate that kam skills can be categorized in five headings: people skills, thinking skills, administration/ project management skills, relevant knowledge and personal qualities. It is consistent with previously cited Ford's description (Ford et 2002) tasks of single relationship management.

5.5 The key account relational development cycle

Using the relationship development concept developed by the IMP school (Ford 1980), by Dwyer et al (1987), Lamming (1993), and Wotruba (1991), Millman and Wilson (1995) propose a relational model for the development of key account management over time. This model was based on exploratory research and identified six stages of development as follows: pre-KAM; early KAM; mid-KAM; partnership KAM; synergistic KAM and uncoupling KAM.

The different stages of the relationship are described in table I, with the indication of the main business issue and of the recommended selling strategy. However, the authors give little indication on how the seller can organize its different activities at the different stage.

Later Wilson (1997) details this approach with the focus on problem resolution. In the early stages of KAM, the focus in on answering a product (service) need; then it turns to a process need; finally in the most advanced stages, the supplier aims at answering a facilitation need. Product needs are met largely through the attribute of the product which include what it is, what it does, and the tangible direct benefit it delivers to the customer; process needs relate to the ways in which customers incorporate supplier offerings into their own transformation process, producing goods and services for their own marketplace; facilitation needs arise for the buyer in terms of how to mange the transformation and the exchange process. However, as the author notes, in practice it is difficult to distinguish clearly between these elements, especially between the facilitation and process needs.

Relationship stage	Description	Objectives	Selling strategies
Pre-KAM	Not established yet; an important customer	Identify/Explore as key account Establish account potential (and possibly "declass" it) Secure initial order	Make basic product or service offerings available (product need) Attempt to gather information about customers (key contacts, DMU and process) Identify process-related problems Build trust and open communications
Early-KAM	Uncertainty over the customer needs and the supplier ability Uncertainty over the buyer's motivations Uncertainty about the value	Account penetration Increase volume of business Become preferred supplier	Tentative adaptations made to the offer in order to match more closely buyer requirements. Build trust through consistent performance and open communications. Demonstrate a willingness to adapt their offering to provide a bespoke solution to the buyer's problems. Drive cost out of the supply chain Manage implementation of process improvements Build teams & Establish systems integration
Mid-KAM	Increased level of trust and relationship addresses a wider range of problems – Numerous cross-boundary contacts with the sales people taking a less central role	Build towards partnership Become first-tier or single source supplier Establish key account status If limited potential for development then evolve to standard offering	Integrate processes Extend joint problem-solving teams and activity Focus upon cost reduction and value creation Address facilitation issues relating to culture, language, etc. Review constantly activity of competitors
Partnership KAM	Sharing of sensitive commercial information becomes commonplace as the focus for activity is increasingly joint problem resolution	Develop spirit of partnership Lock in customer by providing external resource base	Focus on joint value creation Establish semi autonomous project teams Establish joint strategy planning
Synergistic KAM	Fundamental shift in attitudes of both buyer and seller as they come to see one another, not as two separate organizations, but as parts of a larger entity, creating joint value (synergy) in the market place	Continuous improvement Shared rewards Quasi integration	Maintain and exploit relationship Assess if appropriate
Uncoupling KAM	Termination		

Table 1: Key account relational development cycle (adapted from Willson 1997)

5.6 The process

Several authors have stressed that key account management is a process (Burnett 1994, Millman and Wilson 1999, Yip and Madsen 1996). According to Ojasolo (2001, 2002), the KAM process is based on three steps: the identification of key accounts, the analysis of key accounts, the selection of suitable strategies for key accounts and the development of operational level capabilities to build and maintain profitable and long lasting relationships and some parallel can be traced with general customer relationship management. In any case, the description of the individual step is very limited.

5.6.1 Selection, analysis and planning

This step can be seen as variant or subset of the models developed in the customer relationship analysis part. The objective to do run an account analysis is to gather the basic information on the relationship value. It provides the necessary information to generate and select strategies. It aims essentially at determining four elements: the basic characteristics of the key account and its internal and external environment (including the account's internal value chain, inputs, markets, suppliers, products, and economic situation; how and what does he buy); the history of the relationship (volume of sales, profitability, key account's objectives, buying behavior, information exchange, special needs, buying frequency, and complaints); the level and expected development of commitment to the relationship[12] (factors that can influence relationship development include goal congruence (commonality of interest), trust, switching costs[13], etc)[14]. Based on this information some scenario can be hypothesized in terms of business potential compared also to series of cost or profits.

Gathering of data on the environment, on the company and on its competitors through interviews, documents reading and so on. A list of criteria is gathered and analyzed by a team and ordered through simple or complex methods. McDonald et al (1996) identify among others, the following criteria for determining key accounts: volume related; status related, financial consideration. Boles et al (1999) identify a set of valid criteria for key account selection. They include: customer criteria (volume, profitability, etc), supplier internal criteria (channel design, availability of resources, etc.) and competitive criteria (relationship strength, position in industry, etc.). Pardo (1999) proposes a key account portfolio methodology for a manufactur-

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[12] Although, not deterministic, the development of two parties' commitment has been illustrated in various models in the literature indicating some sequential development (Dwyer and Oh, 1987) or not (Wilkinson and Young)

[13] Switching costs are the costs of replacing an existing partner with another. These may be very different for the two parties and thus affect the power position in the relationship. Switching costs (Jackson, 1985) are also called transaction costs (Williamson, 1979), and they are affected by irretrievable investments in the relationship, the adaptations made and the bonds that have developed. (TBC)

[14] Furthermore, acording to Ojasalo (2001), the analysis should not limit itself to the company level but go to the individual level.

ing company which includes the following steps: definition of key account status (based on the open question “what is an important customer for your company”); Listing the criteria resulting from the above mentioned brainstorming session; reducing the list of criteria in relation to the objectives of the supplier linked to key accounts; definitive and accepted list of selection criteria for a key account; definitive and accepted list of company key account.

Millman and Wilson (1997) note that despite the fact that selection procedures are problematic there is still value in exploring various criteria, both hard (sales, profitability) and soft (compatibility, fit, trust, commitment) which define what is meant by a key account.

Spencer (1999) insists on the strategic complexity of key account management and on a differentiated approach between key accounts. Finally, the planning process can be more or less formal and range from the unplanned changes, to budget system stage, to annual-planning stage- to strategic planning stage (long range-planning)

5.6.2 Tools

It is difficult to list specific tools needed for key account management. However, Pardo (1999) identified two categories of tools which either support, or are conductive to, behavior favorable to the flow of information within the external network (around the key account) and the internal actors network. It is the account plan which is often considered as both the memory of a supplier/key account relationship and a plan of action designed for this key account; the information system means all tools which allow for the gathering, processing, expansion and redistribution of the information within the external and internal networks.

5.7 KAM program implementation

Implementing account management system appears to be a long-lasting laborious process in which many – often strategic – decisions have to be made (Kempeners and van der Hart 1999). There is little idea about how to organize account management system, the place of the account manager in the organization, his responsibilities, etc. This often leads to fast successive changes in the account management system and hardly any time is left for the system to prove itself (Kempeners and van der Hart, 1999)

According to Millman and Wilson (1999) a set of pre-conditions are required for GAM process implementation: in particular it requires, a focus on customer problem resolution, strong product and process capabilities, collaborative culture, flexibility.

5.8 International Key account management

Referring to the literature on international business and transnational companies, Millman (1996) notes that key account management is at the center of the ongoing debate on globalization versus localization[15]. He comments that managing organizational complexity is a key issue; that the customer is often forgotten with an overriding purpose on internal issues; and that marketing mix decisions often appear deceptively simple to cope with international diversity.

With a complementary perspective, Pardo (1999) notes that one of the major question concerning companies are the harmonization between different levels of key account management: the national level, the regional level and the global level and obviously the organizational problems it creates.

The ultimate form of international key account management is global (key) account management (Pardo 1999). According to Yip and Madsen (1996), the global account management concept extends national account management across countries, not necessarily to all countries, but to the most important ones for the most important customers, and for the most important activities. Furthermore, the authors argue that in several cases, industry globalization drivers have increased the need for global account management.

Harvey et al (2002) indicate that GAM is an organization form in a multinational/global supplier organization used to coordinate and mange worldwide activities of servicing a customer centrally by a managed team.

Some benefits for adopting such an approach includes, speaking to customer with one voice, and avoiding having subsidiaries compete with one another for a customer's business; increasing the ability to gain additional revenue from clients' international expansion; efficiency gains and reduced costs associated with economies of scope and scale; leveraging client knowledge; learning with working with leading edge firms; delivering good service leading to reputational benefits that can be transferred to new strategy regions or industries; establishing links across regions that carry over time to build institutional relationships; raising customer switching costs (Yip and Madsen 1996).

However, there are some risk and cost associated with this initiative (Yip and Madsen 1996): for example, customers may use the centralized contract to demand that the most favorable national terms of trade become the global terms; negotiating uniform levels of service across the supplier's subsidiaries often poses problems when the level of service required varies; there can be some loss of internal support, stemming from conflict with national account managers; the restructuring of the organization to accommodate a global customer is costly; hiring appropriate managers and other human resources with the skills and knowledge base to work in and with foreign environments; committing top level management to support and manage relations with customers; implementing controls for feed-back and coordination; incurring additional fixed costs; and establishing communication channels between all levels of management and across geographic boundaries.

While much of the knowledge developed on key account management (essentially on a national basis) can be applied. There are some specific issues related to the internationalization and in particular to its global form.

[15] See the presentation of De Wit and Meyer (1999) on the issue and in particular the contrasted view of Levitt's text "Globalization of Markets" (1983) and Douglas and Wind's "The Myth of globalization" (1987).

The role of the key account manager is often different. Indeed, while national account managers typically control their accounts, the geographic scope of global account management makes such control much more difficult, and politically hazardous (Yip and Madsen 1996). Thus, a global account manager can probably be more effective by merely coordinating the selling efforts of national sales forces, and acting as the one interface with the customer at its head office. Therefore, in almost all cases, the global account manager should be located in the home country of the global customer. In this context, the global account management may be best seen as a “political entrepreneur” which have to combine political and entrepreneurial role depending on the context (the degree of organizational interdependence and integration will require important entrepreneurial activities and skills while the level of organizational complexity and cultural diversity will require high political activities and skills) (Wilson and Millman 2003). In Wilson and Neare (2002), they complete the list with the role of boundary-spanning coordinator, team manager/leader, information broker, relationship facilitator and negotiator.

Furthermore, developing linguistic and cultural fluency is emerging as a limiting factor in the speed of migration companies from national to regional and global key account management (Millman 1996).

Wilson and Neare (2002) indicate that company typically go through three broad stages when developing GAM programs: initiation of the GAM program, development of GAM competencies; embedment of GAM processes. According to the authors, the core elements that facilitate the implementation of a successful GAM program are a global mindset, a global value proposition, an executive entanglement, a pan-organizational commitment; the integration and coordination of systems and processes; the planning and reporting processes and systems; the reward and compensation system; the information and knowledge management and the strong national key account management capability.

The criteria used to select global accounts are similar to the one used for national key account but the global operations of the company has to be taken into account.

Wilson and Neare (2002) also suggest the GAM team to be different as indicated in figure x, where the fundamental roles are GAM champion, the executive sponsor, the steering committee, the gam manager, the local global customer manager, the corporate support specialist and the local service support.

6. Discussion

The review of literature indicate that the literature on business relationships provides valuable insight but tend to be descriptive. Customer relationship management and key account management are providing interesting knowledge, however there is little empirical research on global customer management. Furthermore, the literature specific to logistics industry is quite limited and consists essentially of survey and conceptual models. There is thus a dire need for further research on global customer management in the logistics industry.

However, existing research is a valid starting point for conducting this research. It enables to focus on the key questions using the theoretical framework indicated earlier. Furthermore, we will be able to compare the result from field research to existing knowledge.

➔ Question 1: How to manage the selling process with global customers?
  - What is the process and the actors?
  - How to handle negotiation?
  - What role play existing relationships
    - Personal relationships, resource ties, activity links

➔ Question 2: How to develop a global customer strategy?
  - What is the process and participants?
  - What are the criteria used so prioritize customer?
  - Is a relationship development cycle observable?
  - How strategies are implemented?
  - What is the strategy process?
  - How to align with overall strategy?
  - What are the generic strategies (for vertical and horizontal market growth)?

➔ Question 3: How to set global account management organization?
  - How many levels
  - How to connect with the rest of the organization

➔ Question 4: What role and profile for gam?
  - What role with the customer (external network)
  - What role within the organization (internal network)

7. Conclusion

It becomes increasingly difficult for LSP to manage well their relationships with their strategic customers and in particular with transnational companies. The analysis of the literature from different fields that brings us interesting insight but also shows some limit. Based on the literature review we have suggested a set of questions and working hypotheses. These questions tackle four major areas: The relationship development cycle; the organizational forms of global customer management, the GAM process (specially the selection and planning phase), the operational structures for delivering global logistics.

For researching these questions, we suggest the action research methodology. The term action research is attributed to Lewin (1946). In action research, the researcher is able to actively influence the research object, which in contrast is not possible with passive approaches like pure case studies. Action research seems to be very promising for explorative studies in organizations. Both the research community and the organizations benefit from the experience gained during common design and implementation of new concepts. In practice, action research is normally restricted to one company because of the limited degree of readiness of organization to cooperate (Kubicek 1975). Anyhow, the restriction to one single company requires further comparative studies in other companies to deepen understanding. To accommodate this purpose, a two-stage research approach is suggested, The second stage could be on a survey or further validation case studies. Actually, we just started a project with a leading logistics services providers to address these issues.

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