

Wernicke, Carolin; Saab, Samy; Kleinaltenkamp, Michael

Article

CASE: Managing key account disruption in the logistics industry

jbm - Journal of Business Market Management

Provided in Cooperation with:

jbm - Journal of Business Market Management

Suggested Citation: Wernicke, Carolin; Saab, Samy; Kleinaltenkamp, Michael (2014) : CASE: Managing key account disruption in the logistics industry, jbm - Journal of Business Market Management, Freie Universität Berlin, Marketing-Department, Berlin, Vol. 7, Iss. 3, pp. 406-413, <https://nbn-resolving.de/urn:nbn:de:0114-jbm-v7i3.1029>

This Version is available at:

<https://hdl.handle.net/10419/103563>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<http://creativecommons.org/licenses/by-nd/3.0/>

CASE: Managing Key Account Disruption in the Logistics Industry

Carolin Wernicke · Samy Saab · Michael Kleinaltenkamp

Carl Rogers needs to make up his mind on what to suggest to his boss. There have been major changes in the buying center of the key account customer he is responsible for. He now needs to decide how to continue the existing relationship and how to proceed with the potential new ones.

Introduction to the Logistics and Rail Freight Sector

The logistics sector represents one of the foundations of the European economy, as it ensures the efficient and effective transportation of goods for other commercial sectors (Freight Transport Association 2013). With a volume of 930 billion EUR, the European logistics market is expected to grow further in the coming years, as are most other international markets (SCI 2014). Recording growth rates between four and eight percent on the long-term, the logistics industry surpasses the growth rate of the European GDP by 2.5% (Rebitzer 2007). The rail freight industry in particular is forecasted to manifest a growth rate of three percent until 2015. This would lead to a 25% increase in terms of train numbers for conventional traffic and an 86% increase in the number of combined transport trains between 2002 and 2015 (DIOMIS 2007). Within the European region, Germany exhibits the biggest growth potential, followed by Turkey, Poland and Switzerland (Klotz 2014). Due to this development, Deutsche Bahn, for example, is discussing plans to double the length of its freight trains from 835 to 1500 meters in the coming 10 to 15 years (DVZ 2014). But also the Nordic countries, such as Norway with its national transport plan have increased their railway investments (International Transport Journal 2014).

Yet, despite the positive development of the European logistics market in terms of total freight volume and revenues, the profit margins remain at a low level. The main

Published online: 30.09.2014

© jbm 2014

C. Wernicke (C)

Freie Universität Berlin, Marketing Department, Berlin, Germany

e-mail: carolin.wernicke@fu-berlin.de

S. Saab

DB Schenker, Mainz, Germany

e-mail: samy.saab@dbschenker.eu

Michael Kleinaltenkamp

Freie Universität Berlin, Marketing Department, Berlin, Germany

e-mail: michael.kleinaltenkamp@fu-berlin.de

reasons are the strong competition of road freight logistics, the dominance of the price as main determinant of purchasing decisions as well as increasing costs for. e.g. resources (Klotz 2014).

One central driver of the development in the rail freight sector is the legislative direction taken by the European Union. The liberalization of the European rail market in particular, and the related entrance of new players and a more fierce competition continue to shape the market considerably (European Commission 2014). Moreover, the sector depends on the financial resources made available from the European Union. For the period 2014-2020, 26 billion EUR are allocated as investment in the sector. In 2015 alone, a sum of 11.9 billion EUR will be provided to EU member states, representing the highest amount made available as a whole for the improvement of transportation infrastructure (International Transport Journal 2014). In line with this, the "Transport 2050" plan, launched by the European Commission in 2011, has the ambitious goal to shift 50 percent of Europe's medium-distance goods transport off the roads to rail or water by 2050 (The Economist 2013).

Sector-shaping Trends

According to a study conducted by the Global Supply Chain Network "BVL International" (2013), the most important trend in the logistic sector is increasing customer expectations with the corresponding goal to meet their requirements. This development may be due to the high complexity constituting the sector, resulting from more fragmented channels, a larger amount of product variations and the need for more customized solutions. Moreover, the level of volatility has increased both from suppliers' as well as from customers' perspective, raising the risk for all involved actors. This complicates the collaboration with partners, on both a vertical and horizontal level. If one partner in this network experiences fluctuation it will likely affect the whole network soon after. Another trend that shapes the rail industry is sustainability. More than half of the European rail logistic companies plan to improve their energy efficiency. Reasons include resource scarcity, international climate targets as well as national and international environmental protection legislation. Yet, despite the urgency of these topics, customers still primarily make decisions based on cost-related criteria (Handfield et al. 2013).

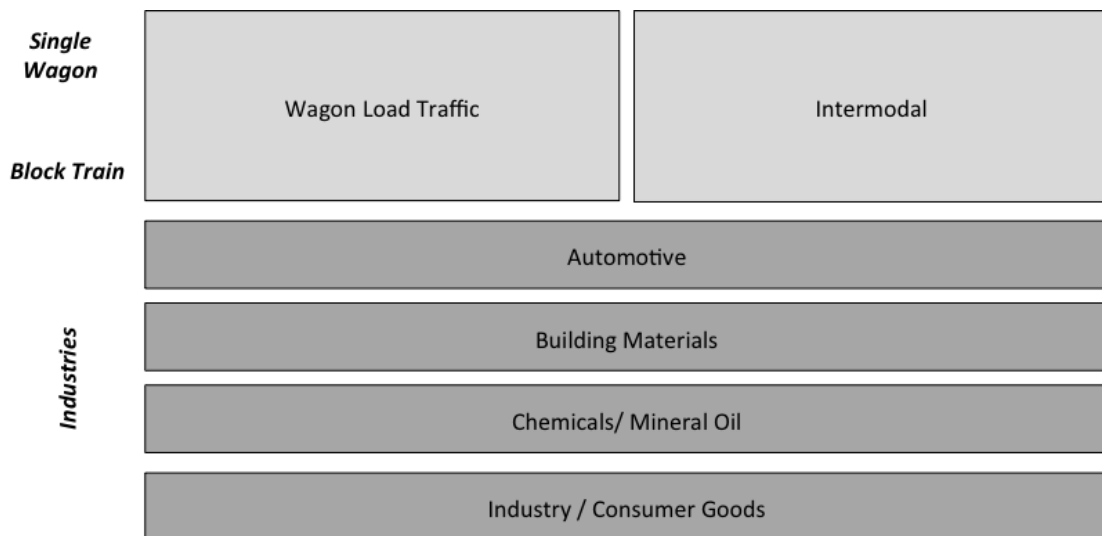
It is necessary to clarify the structure of the European rail industry. The European Commission has divided the industry into three separate entities: the rail track providers, the railway companies and the intermodal transport operators. Rail track providers are, for example, Reseaux Ferre's de France (RFF) in France, Rete Ferroviaria Italiana (RFI) in Italy or Deutsche Bahn Netz (DB Netz) in Germany. The railway companies are the public or private organizations providing traction, thus transporting freight and passengers. The intermodal transport operators comprise a variety of different actors that are characterized as "transport undertakings with specific equipment, including handling equipment and specialized wagons, who must purchase rail traction services and infrastructure access from railway companies that are the only source" (Debrie and Gouvernal 2006, p. 449). They are therefore clients

of the railway companies, which provide traction to them. Intermodal transport operators are, for example, Hupac from Switzerland or Kombiverkehr who is based in Germany. Both railway companies and intermodal transport operators also provide their services to railway forwarding agencies, or short forwarders, such as DHL or Hellmann, who represent additional important players in the logistics market.

Railnet – Supplier Profile

The supplier, Railnet¹, is a railway company. With over 4000 customer sidings, which provide the customer with direct access to the rail network, it is one of Europe's largest railway companies. It has a presence and is active in almost every country of the European Union and transports over 100 billion tonne-kilometers and approximately 400 billion tons of goods per year. Railnet has 3.000 customers in total and reports annual sales of three billion Euros. Moreover, it has one of the biggest fleets among the leading European players in the rail logistic sector. The following figure shows the products Railnet offers and the industries it operates in:

Fig. 1: Overview of Railnet's Offerings



TrainCo – Customer Profile

TrainCo², a medium-sized forwarding company specialized in rail transport and transport related value-added services for the automotive, chemical and general cargo industry. The value-added services TrainCo offers can be categorized as fleet management and include services such as repair, operative management and training for their customers.

Thus, both Railnet and TrainCo are third party logistics providers (3PL), who carry out logistic and logistic-related services in an integrated way. (European Commission

¹ Fictitious name

² Fictitious name

2014). Examples for these services are rail traction, siding, shunting, warehousing, tracking & tracing services, fleet management, wagon maintenance, and wagon leasing. The services are process-based, with the aim to integrate and control part of or the whole logistics process for the client (Carbone and Stone 2005).

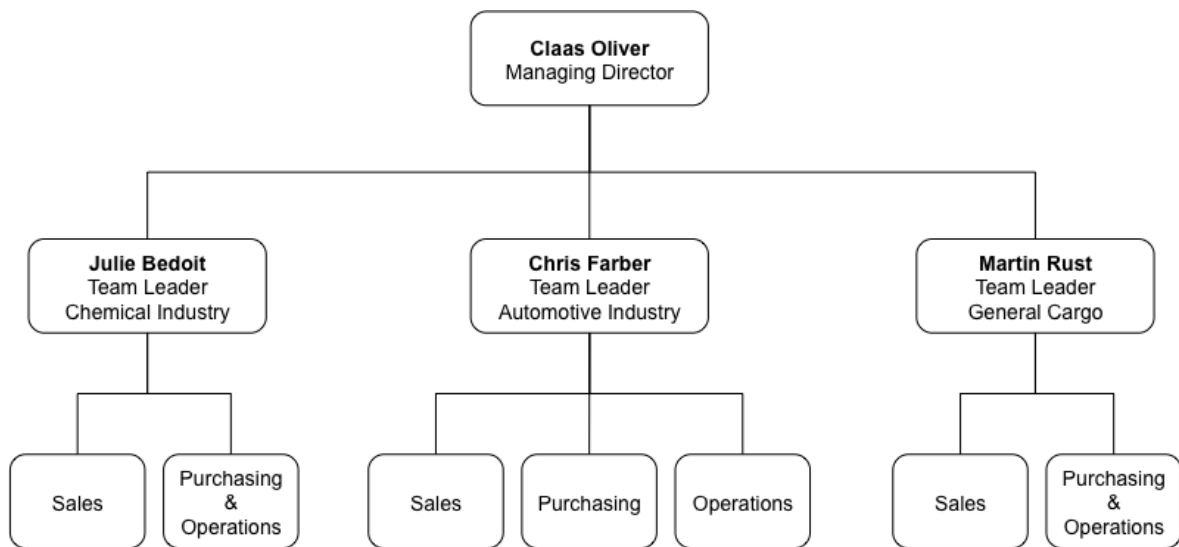
Railnet and TrainCo – a long-term business relationship

In 2004, Railnet and TrainCo signed their first joint contract over transportation services offered by Railnet. In retrospective, the business relationship can be characterized by great continuity and increasing trust. There have only been very few changes in terms of contact and responsibility in the customers' buying center. Similarly, the supplier maintained a stable team responsible for this customer. After the initial years of their business relationship, Railnet introduced key account management for TrainCo in order to develop the business relationship in an even more professional way, and to, for example, provide special services, to customize services, jointly coordinate workflows, and to take over business processes TrainCo may wish to outsource. Ten years after the launch of the business relation, TrainCo now accounts for approximately ten percent of Railnet's revenue within its customer portfolio. Thus, it can be argued that the implementation of a key account management has "reduce[d] uncertainty and increase[d] trust" (Ivens and Pardo 2008, p. 302) and therefore stimulated the growth of the business with TrainCo.

The Key Account Manager who is responsible to increase this share is Carl Rogers. He started working at Railnet seven years ago and has been holding the key account position for TrainCo for three years. He is responsible for the forwarding segment, in which TrainCo accounts for the highest revenue. Carl Rogers is further responsible for all cost and revenue accruing in this customer segment, as well as for its business development in the future. In this context, he plans to tap more of the customer's potential in further developing certain product areas and regions and thus generating even more growth with TrainCo.

On TrainCo's side, the Buying Center, referring to the employees of a customer firm who are involved in the buying process (Töllner et al. 2011), is structured in the following way. There is Claas Oliver, who has considerable experience both in the industry as well as in his position as Managing Director. He started in the rail logistics industry 20 years ago and was appointed Managing Director at TrainCo 15 years ago. His team has a similar level of experience, with all three team leaders having held their positions for over ten years, each leading two to three employees.

Fig. 2: Organizational Overview TrainCo



Each team leader is responsible for a different industry. Julie Bedoit leads her team to serve clients in the chemical industry, Chris Farber does the same in the automotive industry and Martin Rust is responsible for the transport of general cargo. Each of the three team leaders has team members in a sales as well as a purchasing and operations function. The team members in the sales function intend to sell the forwarder's services to their respective clients, and are thus most interested in responding to their requests as quickly as possible and ensure stable profit and growth. TrainCo's customers are mainly requesting a service that is punctual, reliable, safe, economic, and innovative. In this sector innovation refers to the ability of a supplier to optimize their client's transport stream and design and execute efficient and effective processes. The client further expects an ongoing improvement of the service quality, while decreasing the costs for the service at the same time.

The team member responsible for purchasing generally has a great interest to enforce a very fast submission of the offers and a low price level. As a responsible for operations, the team member manages and controls the execution and quality of the service provision. This service provision is usually first planned on the basis of a concept that records the transport requirements. This is followed by the submission of an offer, before the transport service is provided according to the previously elaborated concept.

The exchange of communication between Railnet and TrainCo during the planning and execution phase can be described as rather influenced by the hierarchical levels of the supplier and customer: whereas the Key Account Manager communicates mainly with the three team leaders, the Managing Director is in close contact with Carl's supervisor. Over the years, they have built a relationship based on mutual respect and partnership as both parties had an interest in closing their contracts as win-win deals to continue the collaboration.

Disruption in the Buying Center

Carl Rogers had noticed in his business meetings with TrainCo in the previous weeks that the team leaders were not willing to share as much information as usual and seemed to display rather low motivation. The comments Carl Rogers and his team noticed on the customer's side addressed a general dissatisfaction with organizational and cultural changes implemented at TrainCo by the newly appointed second General Manager. TrainCo's owner had recently hired an additional General Manager to support Claas Oliver and to ensure the quick growth of the company. However, both Claas Oliver and his team leaders did not agree with the recent strategic decisions made by the other General Manager and the owner of the company. Yet, Carl assumed that they would resolve their differences and find a satisfactory solution for both sides.

However, it turned out differently. One morning, Carl Rogers received a call from his supervisor informing him that Claas Oliver, TrainCo's Managing Director had left the company. Nobody at Railnet had any information, why he had handed in his notice and where he had transferred to. The only additional information Carl and his supervisor received at this point was that Claas Oliver's team leader, Chris Farber, had also left the company. Carl and his supervisor scheduled a meeting to discuss how to proceed. The role of the influencer and one of the deciders was now vacant and would most likely be filled with a person they did not know as well as Oliver and Farber. Thus, a completely new business relationship had to be established. In order to be proactive, they decided to meet with the remaining two team leaders, Julie Bedit and Martin Rust. A few weeks later, they sat in one of TrainCo's meeting rooms and were informed that Oliver and Farber had joined forces with a smaller market player to launch a spin-off in the same relevant market as TrainCo. Their positions would be filled with one external candidate to succeed Chris Farber and one internal candidate to take Claas Oliver's position. Bedit and Rust promised to inform Railnet once the new candidates had settled.

A month later, Carl Rogers and his supervisor had still not heard from TrainCo again. When they contacted the remaining team leaders, their call was forwarded to one of the team leaders' assistants. She informed Carl that Julie Bedit and Martin Rust had also handed in their notice and left the company. After noticing Carl's perplexity, she offered to transfer him to the new Managing Director. He assured Carl Rogers that he intended to continue the business relation and proposed to meet in person. Carl Rogers agreed and hung up, still confused about the many changes in the customer firm he thought he knew so well.

New business opportunities?

A week after the phone call with TrainCo's new Managing Director, Railnet was approached by Claas Oliver in his new function as the General Manager of TrainCo's spin-off. He expressed his regrets of not having informed Railnet about his plans but insisted that he would want to continue to work with Carl and his key account team.

His spin-off offered nearly the same products as TrainCo and thus required very similar services. Not long after this incident, Carl received the information that the two other team leaders Julie Bedoit and Martin Rust had – independent of Claas Oliver and Chris Farber - also founded a rail freight logistics spin-off with activities in the same market. Could this be an additional new client? The new business opportunities seemed promising. However, TrainCo's new Managing Director had already casually mentioned that he did not approve of business with the two new spin-offs. Carl wondered how he and his key account team should handle the situation in order to maximize profits. How may the changes in the buying center(s) affect Railnet's relationship with TrainCo? Should the new spin-offs even be managed by a key account management team? Would the revenues justify the effort to involve other functions besides the usual marketing and sales function (Homburg et al. 2002)? Which measures should be taken regarding the existing and new customers? Which new roles and priorities may this entail?

References

- Carbone, V. and Stone, M.A. (2005). *Transportation Research Part E* 41, pp. 495–510.
- Debie, J. and Gouvernal, E. (2006). *Intermodal Rail in Western Europe: Actors and Services in a New Regulatory Environment. Growth and Change*, 37(3), pp. 444–459.
- UIC International Union of Railways (2009). *2007 Report on Intermodal Rail/Road Transport in Europe*. Available online: http://www.uic.org/diomis/IMG/pdf/Diomis_2007_Report_on_Intermodal_Rail-Road_Transport_in_Europe_en_ligne.pdf, Accessed 13.09.2014.
- DVZ (2014). *Bahn will Länge von Güterzügen verdoppeln*. Available online: www.dvz.de/rubriken/schiene/single-view/nachricht/bahn-will-laenge-von-gueterzuegen-auf-1500-m-verdoppeln.html, Accessed 10.09.2014.
- European Commission (2014). *Trends in Rail Transport*. Available online : <http://ec.europa.eu/digital-agenda/futurium/en/content/trends-rail-transport=>, Accessed 10.09.2014.
- Handfield, R.; Straube, F.; Pfohl, H.-Chr.; Wieland, A. (2013). *Trends and Strategies in Logistics and Supply Chain Management - Embracing Global Logistics Complexity to Drive Market Advantage*. Bremen.
- International Transport Journal (2014). *EUR 11.9 billion to improve infrastructure within EU*. Available online: <http://www.transportjournal.com/de/home/news/artikeldetail/eur-119-billion-to-improve-infrastructure-within-eu.html>, Accessed 13.09.2014.
- Klotz, H. (2014). *Die Bahn wird immer beliebter*. Available online: www.dvz.de/rubriken/schiene/single-view/nachricht/die-bahn-wird-immer-beliebter.html, Accessed 10.09.2014.
- Leenen, M. et al. (2014). *The worldwide market for railway industries 2014*. Available online: http://www.sci.de/fileadmin/user_upload/Free_Downloads/dt/140829_Weltmarkt.pdf, Accessed 15.09.2014.

The Economist (2013). European railways: The quest for a Ryanair of rail freight. Available online: www.economist.com/node/21583703/print, Accessed 15.09.2014.

Töllner et al. (2011). Customer solutions in the capital goods industry: Examining the impact of the buying center. *Industrial Marketing Management*, 40, pp. 712–722.