Business-to-Business Marketing: A Study on the Communication of Logistical Services in the Former Yugoslavia Nations

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ABSTRACT

This paper focuses on business-to-business marketing communications of industrial firms in the Slovenian, Croatian, Bosnian, Serbian, and Montenegro markets. The paper presents three main research issues: 1) the most important communication tools in the business-to-business markets; 2) the most important characteristics of logistical providers when communicating to business-to-business markets; and 3) understanding differences between the two issues across the spectrum nations in the Former Yugoslavia. A study explored the issues from a customer's perspective and surveyed industrial customers of logistical services regarding appropriate communication tools. It was found that logistics services are subject to several existing differences across the Former Yugoslavia and indicated a need to use different marketing communications tools for different logistics providers in these markets. The paper concludes with a discussion of results, implications, and possibilities for future research.

Key words: Business-to-business marketing, business-to-business marketing communications, logistical services, Former Yugoslavia nations

INTRODUCTION

The development of marketing communication in Former Yugoslavia countries is faced today with new opportunities and challenges. This process of transformation from underdeveloped to international competition resulted in overall economic liberalization and intensive growth of the logistics sector in these newly formed countries. Slovenia has already joined to European Union, and other transition countries i.e. Croatia, Bosnia and Herzegovina and Serbia and Montenegro will face their time of accession to the European common market as well. Logistics companies in the Former Yugoslavia countries are adapting to development guidelines at various levels. Like Mentzer, Myers, and Cheung (2004) also argued that logistics offerings are subject to differences across countries. Logistics service expectations differ across national and cultural boundaries, enhanced personal interaction frequently occurs in service settings, and service use patterns frequently differ across countries as well as differences in more traditional influences, such as timeliness and responsiveness. These differences increase the difficulty for a unified marketing communication strategy across those different market segments.

The importance of marketing communications in today’s environment has been argued in different empirical studies in the business-to-business markets (Jerman, Zavrsnik, 2004; Garber, Dotson, 2002; Rinallo, Borghini, 2003; Gilliland, Johnston, 1997). The purpose of this discussion is to improve understanding of the role of marketing communications of logistical services in a business-to-business marketing context. Overall, this paper presents study research, the objectives of which are:

To examine managers’ perceptions in Slovene, Croatian, Bosnian and Serbian and Montenegro industries, in particular, managers that use logistical services; how different marketing communications tools are important for respondents, and to test for existing significant differences between companies of these countries and the importance of their instruments of marketing communications,

To outline those characteristics of logistical providers that are important for consumers in business-to-business markets and explore differences in attributes that are important to understanding the different characteristics of logistics provider across nations, and

To improve the understanding of differences across nations in Balkan countries and, as a result, outline sets of criteria for choosing the most suitable logistics provider and developing a successful marketing communications mix for different market segments.

The paper has two parts. First, the theoretical foundation for the business-to-business marketing communications and the analysis of manager perception of characteristics of logistics providers is provided. Second, an empirical analysis, based on the primary data collected in a survey is presented. The survey was based on Slovenian, Croatian, Bosnian and Serbian and Montenegro companies.

In developing the theory base for our analysis, we concentrated on previous findings on industrial marketing communications and previous research that assessed the quality of logistical services. From the review of the pertinent literature, it is clear that although researchers presented the different role of marketing communications
in the business-to-business market regarding different industrial products, none was concerned with logistical services, particularly in the case of Slovenian, Croatian, Bosnian and Serbian and Montenegro markets.

**THE ROLE OF MARKETING COMMUNICATIONS IN THE BUSINESS-TO-BUSINESS MARKET**

Before this paper examines the assessment of services in the logistics industry, it is useful to review marketing practices in the business-to-business sector in general. When compared to business-to-consumer relationships, business-to-business customers behave differently, are motivated by different aims, and buy differently (Green, 1998). Commenting on business-to-business services, some authors of leading textbooks in industrial marketing (Bingham, Raffield, 1990; Bingham et al., 2005; Hutt, Speh, 1998) and the authors of empirical research studies (Homburg, Garbe, 1999; Herrington, Lollar, 1996) have suggested that these relationships are characterized by: A more rational buying process, longer term relationships, greater product complexity, larger amounts of money exchanged, greater use of group decision making and a design of customized service mixes that are unique to each particular organization. Additionally, the business-to-business exchange differs from the business-to-consumer exchange because business buyers are not spending their own money and are thus accountable to an organization, not themselves, for their purchase outcomes.

In comparing the content of business-to-business and business-to-consumer services, Turley and Kelley (1997) and Mortimer (2000) found that rational advertising appeals were more frequently used in business-to-business advertising. Garber and Dotson (2002) suggested that the top attributes likely to influence a business-to-business exchange are responsiveness, competence, reliability, quality, and price; these play a strong role in business-to-business promotions. Mittal (2002) argued that service advertisers should communicate intangibles. In the domain of communication practices, industrial customers in particular seem to rely more heavily and intensively on accurate marketing communications to influence the buyer decision. And more specifically, effective communications with logistics providers appears to directly impact a buyer's perception of the supplier characteristics (Knemeyer, Murphy, 2004).

Marketing communications, broadly defined, includes all the advertising and promotional activities carried out by a firm. Personal selling still remains the most efficient instrument of marketing communications in business-to-business markets, and it is usually the largest component of the business marketing communications mix (Gopalakrishna, Lilien, 1994). While the primary communication vehicle in business-to-business marketing still remains the salesperson, non-personal methods of communication, including advertising, catalogs, the Internet, trade shows, and other promotions, play a unique role in the communication process. There is evidence that advertising can also “open doors” for an industrial salesperson (Lichtenthal et al., 2004). Although public relations is a less important instrument in business-to-business markets, industrial marketers who use public relations as a complementary technique will find that PR enhances their effectiveness and builds long-term, trusting relationships with strategic constituencies (Jerman et al., 2008).

**MANAGER PERCEPTION OF THE IMPORTANCE OF THE CHARACTERISTICS OF LOGISTICAL PROVIDERS**

Mentzer, Myers and Cheung (2004, 15) found that logistics services have become a significant source of competitive differentiation between firms. Diverse regulations across borders, longer lead times, and increased transportation costs all increase the difficulty of managing logistics services internationally. As a service offering, intensive customer contact, extensive customization requirements, and a reliance on extrinsic cues for service performance often characterize logistics. Because of these issues, logistics services are subject to cultural influences that often exist in cross-border trade. In the case of the Balkans countries, there exist several differences (religious and cultural issues, trade regulations, shipping distances, and cross-currency issues etc.). As a result we found different research results. Further, Mentzer, Myers and Cheung (2004) suggested that by identifying specific customer segments, some which may transcend national borders, logistics managers will benefit from reduced costs, enhanced revenue, and a better ability to differentiate their offerings from others in the highly competitive marketplace.

In terms of buying behavior, the literature suggests that the importance of a particular purchase can make a difference in the buying process. A purchase can be important for a firm for several reasons. Purchased service attributes can be differentiated based on whether they are standard or nonstandard, simple or complex, or have a standard or novel application. Purchases involving large expenditures, difficult- to- obtain items, or irreplaceable
supplies, are important or “strategic” buys (Maltz, Ellram, 2000). We agree that purchasing industrial services, such as logistical services, is a time-consuming, complex, and expensive activity. Which indicators do customers use to evaluate their suppliers? We would expect that in purchase decision processes, customers give strong consideration to the resources and the competence of the supplier as criteria to provide higher quality and more reliable and efficient transportation of goods. Therefore, the service provider must ensure complete execution of all logistics and related activities. As Murphy and Poist (1992) and Bardi, Bagchi, and Raghunathan (1989) point out, companies now tend to differentiate and select carrier or shippers on the basis of very specific attributes, such as “timeliness” and “reliability”. Vaidyanathan (2005) argues that logistics managers also consider information technology, quality, cost, services, performance, and intangibles as important factors in selecting logistics providers.

One of the major challenges of service marketers is the assessment of the quality of service offerings. Because of the general nature of these services (i.e. intangibility, inseparability, heterogeneity, and perishability), service quality is usually difficult for customers to evaluate (Palmer, O’Neill, 2003). In conceptualizing physical distribution service quality, Mentzer, Gomes, and Krapfel (1989) synthesized 26 elements of physical distribution and customer service that were reported in the logistics literature over more than two decades and arrived at a parsimonious three dimensional construct. That construct included availability, timeliness, and quality (Mentzer et al., 2001). This construct was supported by later empirical evidence, with slight re-conceptualizations based on additional extensive and qualitative research (Mentzer et al., 2001; Bienstock et al., 1997).

As Svensson (2002, 426) said »altogether, marketing activities and logistics activities may be seen as a chain of interdependent activities that complement each other in order to facilitate the exchange.« In our empirical research we explore the close interrelationship between marketing communications and logistics.

RESEARCH METHODOLOGY: SAMPLE AND RESPONSE

Our empirical research was based on two different samples. The first sample included 400 companies from three different countries: Croatian, Bosnian-Herzegovina and Serbian-Montenegro. The second sample included 850 Slovenian companies. In both samples, we used a stratified sample of companies. We choose the strata based on annual net sales revenues.

The research was carried out in Croatia, Bosnia and Herzegovina and Serbia and Monte Negro in October of 2007; the mailing in Slovenia was conducted in November of 2007. This survey was part of a larger study on marketing communications of logistical services. The mailing package included the cover letter, signed by the author stating the purpose of the survey, a questionnaire, and a self-addressed return envelope. The questionnaire was translated from Slovene into Croatian, Bosnian and Serbian. The covering letter s with questionnaires were sent to the corporate directors. The survey mailing produced responses from directors and logistical professionals in companies, executives who purchase logistical services.

In the first sample, we used a stratified sample of 400 Croatian, Bosnian and Serbian-Montenegro companies. During the four-week period following the mailing, a total of 84 responses were received. Excluding the 21 undeliverable surveys (e.g., wrong address, the respondent not existing) and 4 incomplete surveys, a response rate of 15% was achieved (59/400). A higher response rate was probably impossible because of the length of the research instrument and the nature of the information requested. While this response rate may seem to be low, it does in fact reflect industrial norms. Malhotra and Birks (2000), for example, suggest that a response of around 15% is expected when there is no premailing or postmailing to respondents. Also, Griffis, Goldsby and Cooper (2003) argued that the response rate within the range (4.0% to 32.7%) is in keeping with large studies among the population of logistics managers as reported in The Journal of Business Logistics during the 1997 to 2001 timeframe.

The second sample included 850 Slovene companies, logistical directors, and other executives who purchase logistical services. We were using a stratified sample of 850 Slovene companies. Excluding the 16 undeliverable surveys (e.g., wrong address) and 12 incomplete surveys, a response rate of 33.8% was achieved (287/850). The results presented in this paper are from these 287 respondents. The collected empirical data were processed with SPSS 10, where emphasis was given to descriptive and inferential statistical analysis.

MEASURES

A number of measures were collected, including demographics, for each respondent. Multi-item scales based on the procedures outlined by Churchill (1979) were developed. Most of the measures revolved around three research issues and are discussed below.
Having as a general guide the previous work in the field by Garber and Dotson (2002) and MacLeod et al. (1999) in the area of American transport and logistic market, we selected 20 marketing communications tools to measure. These tools fall into Kotler’s (2006) four major elements of the marketing communications mix, namely advertising, personal selling, public relations, and sales promotion. Using a five-point scale, respondents were asked to indicate the importance of different tools (5=”extremely important” to 1= “of little importance”).

The perception of characteristics of logistics provider was measure using SERVQUAL approach of gaps model in the business-to-business marketing of services (Parasuraman et al., 1988; Mehta, Durvasula, 1998). Parasuraman, Zeithaml, and Berry's (1988) in their research identified five broad dimensions of service quality: 1) reliability; 2) responsiveness, 3) assurance, 4) empathy; and 5) tangibles. Respondents were asked to indicate on the five-point Likert scale, the importance of different characteristics of a logistics provider (5=”extremely important” to 1= “of little importance”).

EMPIRICAL FINDINGS - COMPANY PROFILE

In the first part of the questionnaire, respondents were asked basic facts about the company, its line of business, number of employees, its largest sales markets, and the respondent’s position in the company. The following four tables present certain characteristics of the sample companies.

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<tr>
<th>Table 1: Respondents’ country of origin</th>
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<tr>
<td>Country</td>
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<td>Croatia</td>
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<tr>
<td>Bosnia and Herzegovina</td>
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<td>Serbia and Montenegro</td>
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<td>Slovenia</td>
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<td>Total</td>
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The returns of study responses were dominated by manufacturers, followed by merchandisers and services companies.

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<th>Table 2: Main activity of companies</th>
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<tr>
<td>Main activity</td>
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<tr>
<td>Production-oriented business</td>
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<td>Service-oriented business</td>
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<td>Commercial business</td>
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<td>Other</td>
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<td>Total</td>
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The position of respondents in the companies showed the following structure. Forty-one percent of the respondents were top executives (President or CEO); thirty-two percent of the respondents belonged to middle management (some type of Vice President or Director of Logistics); and twenty-five percent of respondents belonged to first line management (respondents holding titles as "logistics analyst," "operations manager," and "transportation planner"). The remaining three percent of the respondents had different positions in the companies.

<table>
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<th>Table 3: Respondents’ position in the company</th>
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<tbody>
<tr>
<td>Position</td>
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<td>Top management</td>
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<td>Middle management</td>
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<td>First line management</td>
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<td>Other</td>
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<td>Total</td>
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A wide range of companies, classified according to their number of employees, are represented in this study. The size of the companies was determined based on the Slovenian Law of Business Companies.

<table>
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<th>Table 4: Size of the respondents’ companies</th>
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<td>Company’s size</td>
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<td>Small companies</td>
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<td>Middle-size companies</td>
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<td>Large companies</td>
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<td>Total</td>
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A company with no more than 100 employees was considered a small company, a company with 101 to 250 employees was a medium-sized company, and a company with more than 251 employees was considered a large company. Small companies in this case dominated the returns. In our sample we had 61.3% small companies, 20.8% large companies, and the remaining 17.9% were middle-sized companies.

IMPORTANT OF MARKETING COMMUNICATIONS TOOLS

We asked managers to report on the importance of the twenty common marketing communications tools. The results show that there were small differences between the mean scores in the importance of marketing communication tools. Respondents indicated advertising on the Internet and in catalogues and other presentation material as the most important communication tool, followed by direct mail and television advertising. Personal sales visits and participation in trade shows also had high importance. The findings aligned with the practice of business-to-business marketing, which entails that advertising is necessary, but still not sufficient for the accomplishment of actual sale of services. Advertising plays a supporting role in the idea of personal selling to maintain and expand sales (Avlonitis, Karayanni, 2002). Some forms of direct marketing, such as direct mail, is also an important way to reach customers in the business market. For customers of the logistical services, attending trade shows was more important than other forms of advertising, e.g. transport vehicles, newspapers and trade journals. The public relations service was classified as a less important instrument of marketing communication. Respondents gave low importance to the various communication tools of public relations (e.g. sponsorship, donations, participation in charity events, house magazines, and press conferences). To understand the differences in the respondents’ views of the relevance of different marketing communication tools across the countries, we wanted to learn whether there are statistical differences between Slovenian, Croatian, Bosnian and Serbian and Montenegro companies. Assumptions to be met for ANOVA are that the population should be normally distributed, the groups should be independent of each other, and the groups should be of equal variance (Taylor, 2001). We checked the distribution by carrying out a Kolmogorov-Smirnov test of normality. The results were significant (p = 0.000) for all marketing communication tools.

We compared these four groups with respect to their rating on the importance of different marketing communications tools to see whether this would yield different results. Using a one-way analysis of variance (ANOVA), we found the statistical difference among these segments regarding: Radio advertising (F ratio = 2.988; p = 0.031), television advertising (F ratio = 5.867; p = 0.001), participation in trade shows (F ratio = 2.655; p = 0.049), distributing goodwill gifts and New Year greetings to clients (F ratio = 4.048; p = 0.008), advertising on CD e.g. (business directories) (F ratio = 2.979; p = 0.032), house magazines (F ratio = 2.687; p = 0.047), and direct mail (F ratio = 2.805; p = 0.040). So, we rejected the null hypothesis and conclude that there is a significant difference among different countries regarding the marketing communication tools mentioned above.

We also applied the ANOVA to compare the mean score regarding the importance of different promotional tools among the following independent groups: Small companies, medium-sized, and large companies. When respondents were divided regardless of their size, a statistical difference was not observed in the importance attached to different marketing communication tools. The test statistic did not exceed the critical value, so we do not reject the null hypothesis and conclude that the means of different groups regarding the size of the company are equal.

IMPORTANT OF CHARACTERISTICS OF LOGISTICS PROVIDERS

The respondents were also asked to indicate on a 5-point Likert scale, the importance of characteristics of a logistics provider. Results show that the on-time delivery of logistics services was by respondents the most important characteristic of a logistics provider (mean = 4.89). The research suggests that respondents give more importance to the following characteristics of logistics companies: On-time delivery, speed of delivery, and the reliability of logistical services offered. Because of these characteristics of logistics services, in particular on-time delivery of logistics services has been considered important to business customers; the on-time delivery aspect, the speed of delivery aspect, and the reliability aspect should be incorporated into communication messages targeting this segment of customers. To understand the differences in the respondents’ views of the importance of different characteristics of logistics providers across the countries, we tried to find out if there are some statistical differences between Slovenian, Croatian, Bosnian-Herzegovina and Serbian-Montenegro companies. We compared these four groups with respect to the importance of different characteristics to see whether this examination would yield different results. Most of the characteristics of logistics providers tended to show significant differences between these four countries. Using one-way analysis of variance (ANOVA), we found the statistical difference among these
segments regarding the price of logistics services (F ratio = 3.658; p = 0.013), qualified personnel (F ratio = 2.784; p = 0.041), payments under agreement (F ratio = 2.739; p = 0.043), speed of delivery (F ratio = 6.442; p = 0.000) and good reputation and tradition (F ratio = 5.721; p = 0.001). So, we can reject the alternative hypothesis and conclude that there is a significant difference among the four countries regarding the following characteristics of logistics providers: Price of logistics services, qualified personnel, payments under agreement, speed of delivery, and good reputation and tradition. These characteristics differed among countries and logistical companies doing business in these different market segments should consider those differences.

**MANAGERIAL IMPLICATIONS**

Findings from this study address the first issue and present an opportunity for future research by examining the most important marketing communication tools to use in the business-to-business market in the logistic industry. Marketing agencies and business organizations should use personal selling, trade shows and other tools of marketing communications with an emphasis on personal contact for effective marketing communication. The findings suggest that publicity can enhance the overall marketing communication effort; these findings are in accordance with the research on public relations effectiveness (Jerman, 2007). As business marketers focus on value and debate how to communicate value to their customers, many are rediscovering the strategic importance of public relations in their marketing communications mixture.

The second and the third issue are also important by revealing that there are major differences across the former Yugoslavia countries in how business-to-business marketers communicate their characteristics of logistical services to segments of business consumers. These differences are reflected in the communication of punctuality and the speed of service delivery, and the reliability of the logistical service offered. Different types of services are likely to require different business-to-business marketing communication strategies.

This study examined logistical services within the business-to-business marketing communication context from the exclusive perspective of the buyer of those services. Useful future research would combine the perspective of the buyer of logistical services and the perspective of the logistical provider.

**CONCLUSION**

Logistics services across national boundaries are particularly complex, not only due to enhanced distance and cost constraints, but also due to cultural and organizational conditions that influence the utility of specific service offerings for all customers. For these reasons, logistics managers should accurately identify differences in Balkan countries regarding marketing communications of logistical services, and as a result develop different marketing communications mixes for that customer segment. This approach assists in the identification of market segments across nations and regions, whereby logistics service offerings may be customized to customer preferences for specific service attributes.

Our research explored the current attitudes of managers in the logistic industry. Specifically, we examined their perception of different characteristics of a logistics provider and their evaluation of the importance of various promotional tools. We found significant differences in attribute importance across countries. We found evidence that a manager's perception is viewed differently by companies in the Former Yugoslavia countries. So, we are not able to make substantial generalizations about the marketing communication strategy. This finding would tend to indicate that each nation represents, in part, significantly different market segments. Thus while some of Western Europe is moving toward “one market,” the transitional Balkan nations still remain significantly different market segments.

There are several implications of these findings for logistics management. The results indicate that having different levels of importance for characteristics of a logistics provider across countries can contribute to the development of different marketing strategies for those market segments. Also, the effectiveness of marketing communication strategies depends upon which communication tool is used in different Balkan countries. The logistics marketplace is highly competitive, and thus managers have to be involved in the selection of a logistics provider. Further, marketing communication plays an essential role in the logistics industry. Personal selling and other personal contact promotions (direct mail, participation in trade shows, catalogs and other presentation material) are perceived to be the most important promotional tools in the logistic industry. Some forms of mass media, such as television advertising and Internet advertising, were also given a high importance by respondents.
Because of the differences across in attribute importance and promotional tools across countries, we conclude that managers should develop different marketing strategies in transitional countries (i.e. Croatia, Bosnia and Herzegovina, Serbia and Montenegro). A better understanding of business-to-business marketing communications in the Former Yugoslavia countries would contribute to increased/stronger business organization in the logistic industry.

REFERENCES


