



**Demonstration of the Importance of the Relationship of Logistics to Marketing: Incorporating Supply Chain Capabilities into Marketing Efforts**

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**Abstract**

*Marketing and Supply Chain each have their own functional responsibilities within a company. Fundamentally, they also should have a relationship with each other, as the supply chain connects to marketing's "place." Supply chain provides the goods to meet the marketing demand. If this relationship is enhanced beyond the basic, however, this can contribute to revenue opportunities. If the supply chain provides enhanced services that customers can utilize, and if this is inserted into the marketing message to customers, then this can lead to increased customer acquisition and likely retention. Many companies neglect to highlight this enhanced service aspect in their promotion activities, and thus are missing an opportunity for customer preference and potentially revenue growth. This paper portrays an example of how the marketing message (at a major retailer) was redesigned to incorporate the promotion of a customer-oriented supply chain service, and provides evidence of the subsequent growth that occurred.*

**Keywords: promotion, revenue, supply chain services, retail, customer preference, customer acquisition**

**Introduction**

Customers have long expected products to perform to stated or perceived requirements or functions. The American Society for Quality defines quality as "the totality of features and characteristics of a product or service that bears on its ability to satisfy stated or implied needs" (Heizer, 2012). Customer's expectations can often be elevated or diminished based on price paid (as the quality level may be [either perceived or actual] correlated with price), but there is still an underlying expectation that a product will generally perform as stated or advertised. In the last decade or so, customers expect more than just the product they also expect services related to that product, whether it be a delivery expectation (Wierzbinski, 2009), a product support expectation, or some other form of service. In the last few years, companies are adding customer-oriented supply chain type services, to try to attract customers to their retail environment. Some examples of these are a) placing an order online and picking it up at the store, b) customer scanning of items as they place them in their cart and then skipping the check-out line at a retail



store, and c) online ordering with to-the-home grocery delivery. Companies are working hard to create these supply-chain service offerings to their customers, in order to gain a competitive advantage (Rau, 2017).

In order for this competitive advantage to be achieved, however, the company must properly promote this service to the customers. It is not enough to just have it available, it must be incorporated into the marketing efforts of the company (so that the potential customer is knowledgeable of it), if it is to have any value in the marketplace. If properly promoted, this supply chain service can offer a competitive advantage and contribute to winning customer preference. Acquisition of new customers and retaining existing customers can then contribute to increased revenue opportunities.

## **Evolution**

The responsibility of the marketing function in a business enterprise is widely known, as this concept has been present in business enterprises for centuries (Wainwright, 2012). For a company selling a product (as opposed to a service), the marketing function's role is related to promoting that product in an effort to sell it to external customers. These customers can be consumers (B2C) or other businesses (B2B). The marketing department may do this promotion by focusing on various aspects of the product such as a particular feature (or features), capability, quality level-while offering the product at a certain price in a certain place. This promotion aims to emphasize some combination of things related to the product (price, quality, function, features, etc.) that they believe offers a competitive advantage, in order to gain preference (and then revenue) from the potential buyer.

In more recent times, the logistics and supply chain function has evolved within an organization (Robinson, 2015) and is now better known and viewed more strategically than ever. Over the last several decades, the concept of logistics and supply chain management has developed, and businesses have come to realize how impactful an efficient supply chain can be to their customer service levels and to their overall profitability. The supply chain is responsible for getting that product (that marketing is promoting) to the right place, at the right time, at the right quantity, at the right quality, in the right condition, and at the right cost, in order to meet customer demand and fulfill customer expectations.

How these two functions connect within an organization has been considerably researched (Mentzer, 2009). In the current day, it is now the norm that these two functions work together, although it can be at different levels of maturity across various companies (Lockamy, 2004). The intra-organization relationship between the marketing function and the supply chain function is critical, otherwise customer demand would not be supplied appropriately. Marketing must communicate to the internal supply chain personnel, in order for these people to execute a proper supply strategy to meet the demands of the customers. This is the supply chain connecting to the concept of "place" in the four P's of marketing (Gourdin, 2006, page 22). Customer satisfaction and the overall customer experience is greatly dependent on the supply chain's ability to meet this demand.

This linkage between marketing and supply chain supports enhanced customer service that goes beyond the customer getting the right product. The logistics related to receiving that product is now part of the package. The product and the delivery are now bundled in a customer's view. According to Dr. Bogdan Wierzbinski, "In today's competitive and turbulent environment it is not enough to offer a product meeting customers' expectations. Equally important is the way of its delivery and connected with it customer service" (Wierzbinski, 2009). This supports the ideology that in today's world, the selling of only the product is not sufficient; the logistics of delivery must also be a part of the sale. This requires an enhanced relationship between marketing and supply chain personnel, as it is not just the internal supply chain to make the product that needs to be successful, but the external supply chain to the customer as well. Marketing personnel need to convey information to the supply chain personnel as to what the customer expectations are, and then the supply chain personnel need to establish a supply chain to meet those requirements. This internal collaboration is critical to meeting customer expectations.



On a related path, supply chain professionals know well of the concept of integration and collaboration between supply chain partners (such as a manufacturer with a supplier). This concept arose in the late 1990's to early 2000's (Bowersox, 1999; Barratt, 2004) and has become an important practice in the supply chain profession. Further, collaboration and integration with external customers is developing in the marketplace, as companies see the value in this enhanced relationship with the customer. Marketing has traditionally had this company-to-customer relationship, but now the supply chain personnel and services are getting involved as well.

As this evolution continues, some organizations are taking this to the next level, and can increase revenue as a result. The supply chain in a company not only has a major functional role (such as the supply of product and the logistics delivery to the customer), but it can also provide additional services to customers. This offering of enhanced services can create a competitive advantage, increase customer preference and loyalty, and subsequently increase revenue (Hayes, 2011). Some examples of these additional services include:

- retailers where the customer can order online, and then pick it up at the store (such as Kohl's)
- restaurants where the customer can order carry-out, drive to the restaurant, and the order is delivered curbside to the customer's car (such as Applebee's)
- retailers that utilize mobile apps and other technologies to eliminate (or reduce) the check-out line process (such as Amazon Go)
- grocery stores where the customer can order ahead, the retailer will pick the order, and then the customer picks it up at the store (or the retailer will deliver to the customer's residence) (such as Walmart Grocery or Peapod)
- companies who partner with third-party delivery companies to bring the customer's retail items (or food) to the customer's residence (such as UberEats)

Because of these enhanced services (which provide such benefits as time savings, convenience, or cost reductions), customers will prefer these businesses over their competitors who do not offer these services. Many companies have yet to tap into this concept, and are losing revenue growth opportunities as a result. A key point, however, is that it is not enough that these service offerings exist, but they must be put into the marketing message so that the customer is aware of them. If the customer is not aware of the service offering, they cannot incorporate this information into their buying decision. Consequently, if the customer is not influenced in their buying decision, one could argue that there is not much point in even having the service offering available at all. If there is no marketplace advantage, there is no reason to offer the service or incur the cost to support it.

A timeline of the marketing and supply chain relationship, and the increased offerings and awareness in the marketplace can be viewed in summary in the diagram below (Figure A).

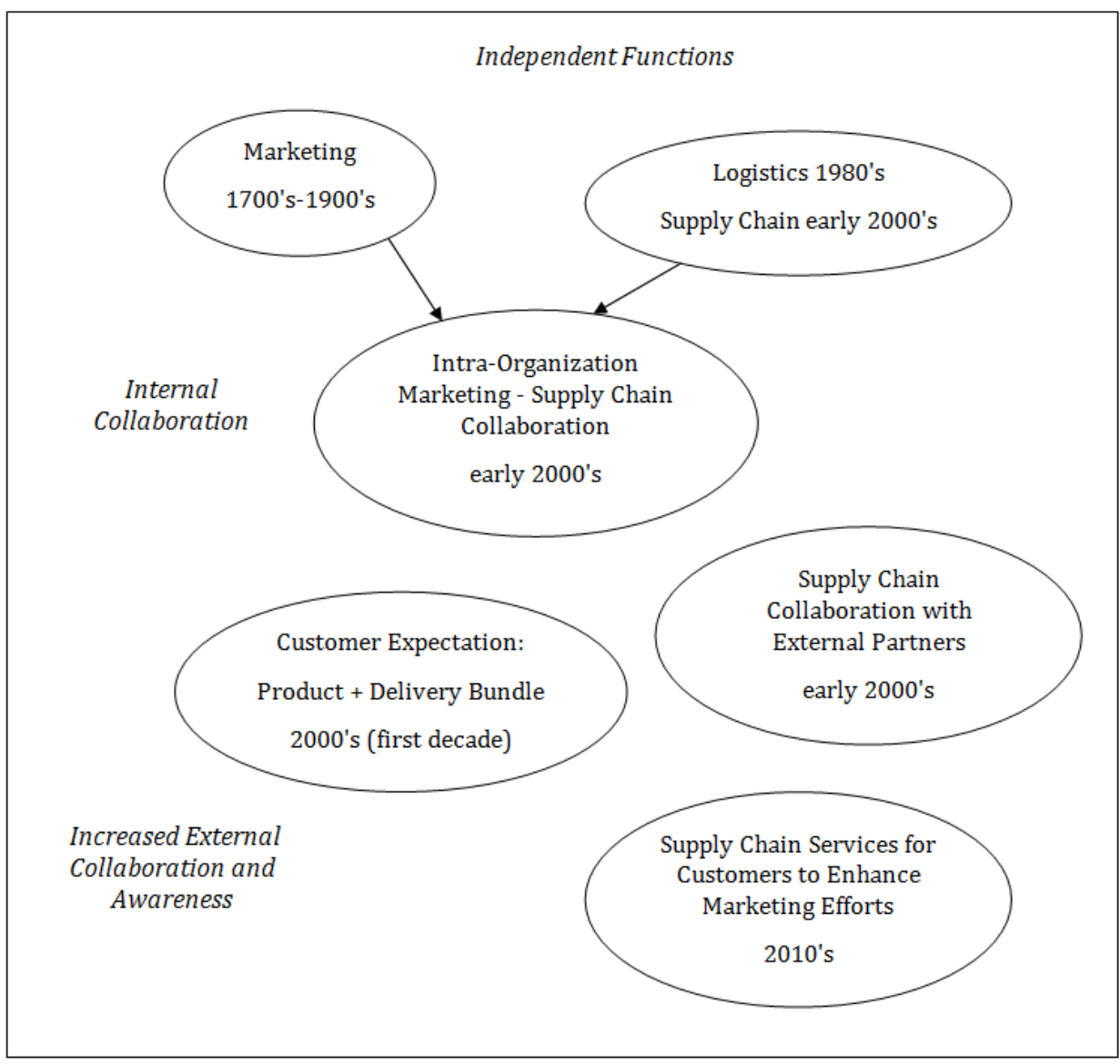


Figure A: A brief timeline of the evolution of the marketing-supply chain relationship, and customer expectations changes as related to supply chain and logistics services

**Premise**

Many companies have recognized how an mature supply chain can provide bottom line improvements and is very important to customer satisfaction (Lockamy,2004). Amazon is a classic example of how their supply chain capabilities have fueled efficiency and have enabled huge growth. Despite examples such as this one, however, many companies still have immature supply chain structures and have not reached the level of awareness of the supply-chain-as-a-competitive-advantage concept that is needed in today's business climate (Mentzer, 2007). In the current consumer culture, and increasingly more so for B2B sales, instant-gratification has become almost a necessity. Overnight deliveries are becoming the norm in many situations, not the exception (Amazon's *Prime* service is a widely-known example). It is crucial for businesses to formulate a proper logistics model and supply chain to provide this service to the customer. Further, customers are demanding more and more. They have special requests, want further efficiencies in their shopping experience, and demand ease of doing business. If a business can provide these



additional services and attract customers to them, they will win customer preference and have a marketplace advantage.

Some businesses are attempting to fill this market need, and are designing services to meet these additional customer expectations. These services come at a cost, however, so it is important that they ultimately contribute to revenue in order to have a return on investment of creating and providing these special services. The part that some businesses seem to not put enough emphasis on, however, is aligning their marketing messages to include these supply chain or logistics services.

This paper aims to provide evidence that exemplifies the power that such a logistics capability can have in obtaining or retaining customers, thus potentially increasing revenue. The basic supply chain service still needs to exist to provide the baseline level of customer service, but additional supply chain services, if marketed properly, can provide growth opportunities.

The major issue that was investigated was whether or not companies are sufficiently emphasizing their supply chain services to the best of their ability within their marketing activities. This study will demonstrate that, when properly marketed, enhanced supply chain services can contribute to increased customer preference, which can lead to increased revenue.

## **Methodology & Research**

The study was conducted at a major retailer in the United States in the summer of 2017. This retailer serves both individual consumers and businesses. The study was therefore split into two pieces: B2C and B2B. In both of these segments, the retailer not only offered a product to the customer, but also had an available (optional, free) service that the customer could utilize to make their purchasing activity more streamlined and productive. At the beginning of the study, the services were not widely adopted by the customers, and were therefore not creating much of a competitive advantage for this retailer in the marketplace. The hypothesis of the study was if the marketing message contained and highlighted the advantages that these services provided to the customer, then this would cause the customer to then utilize these services. This would then result in the customer to prefer to use this retailer over a competitor, as this retailer gave them some efficiency due to this enhanced service. In other words, the study aimed to see if there was a measureable improvement in customer growth due to not only the offering of these services, but also through the proper marketing of these services.

### ***B2B Scenario***

For the B2B customers, a special service was created by the retailer whereby these customers could select items from the retailer's product offering online and create an order online. Once the order was completed, the retailer would then pick the items on the order, and have the order ready for pickup for the business customer when they arrived at the retailer's dock. The advantage to the business customer would be that they could create the order at their leisure and go pick up the order when it was convenient for them. They would save considerable time in not having to physically shop and select the items throughout the store themselves, and going through a check-out process. Further, they would be notified in advance (while placing the order) if an item was out of stock. This is valuable information in terms of planning for the needs of their business, and could potentially have saved them the time of going to the store if this was a critical item that they needed.

This special service was initially not widely used by the B2B customers. Research was done via questionnaires and telephone calls to these business customers. Customer was asked why they were not taking advantage of this service, which would save them considerable time (and therefore labor cost). Many customers responded that they were not aware of the service at all, or that they were not aware of some of the features of the service. When the service was promoted to them via the phone call, they expressed interest in and enthusiasm for





using the service. Although resultant data was not available to factually support this conclusion, it was subjectively observed that more customers adopted the use of this service and considered it in their decision of choosing to buy at this retailer rather than their primary competitor.

**B2C Scenario**

For the B2C customers, a special service was created by the retailer whereby these customers would still shop in the store, but would use an app on their mobile phone to scan items as they were put in their cart. When their shopping was complete, they would close the order on their app and their preferred method of payment would be charged. This saved the customer considerable time at checkout, and gave them electronic records of their purchases at this retailer. While some marketing collateral was developed to advertise this new service, few customers were taking advantage of this special service offering. When customers were asked why they weren't utilizing the service, they responded that they didn't know about it or didn't understand it. Two store locations were then used to test the theory: if a company has a beneficial supply chain service that can enhance the experience for customers, they then need to market it properly in order for customers to be aware of it and then utilize it, which will then lead to the company gaining competitive advantage and increasing growth. The first store was used as a baseline (Store B). The marketing collateral in this store remained unchanged. In the second store (Store A), a revised marketing promotion was created, emphasizing the optional consumer-oriented supply chain service and highlighting the advantages to the customer.

Once the marketing change was orchestrated to garner better awareness for consumers, the results were analyzed over a three-week interval. As can be seen in the graph below (Figure B), there was a tremendous rise in the sign-ups to use the special supply chain service in the store where the marketing change was implemented. The graph shows that the customers usage of the special supply chain service increased by only twenty customers per week in the baseline store (week one was 33, week two was 41, week three was 53 for a total of 127 customers; 61% growth comparing week three over week one). In the store with the marketing change, however, the increase was dramatic and overall totals were much higher. In this store, week one was 47, week two was 65, week three was 114 for a total of 226 customers a 78% increase over the baseline store! The growth for week three over week one was 143%, more than double that of the baseline store.

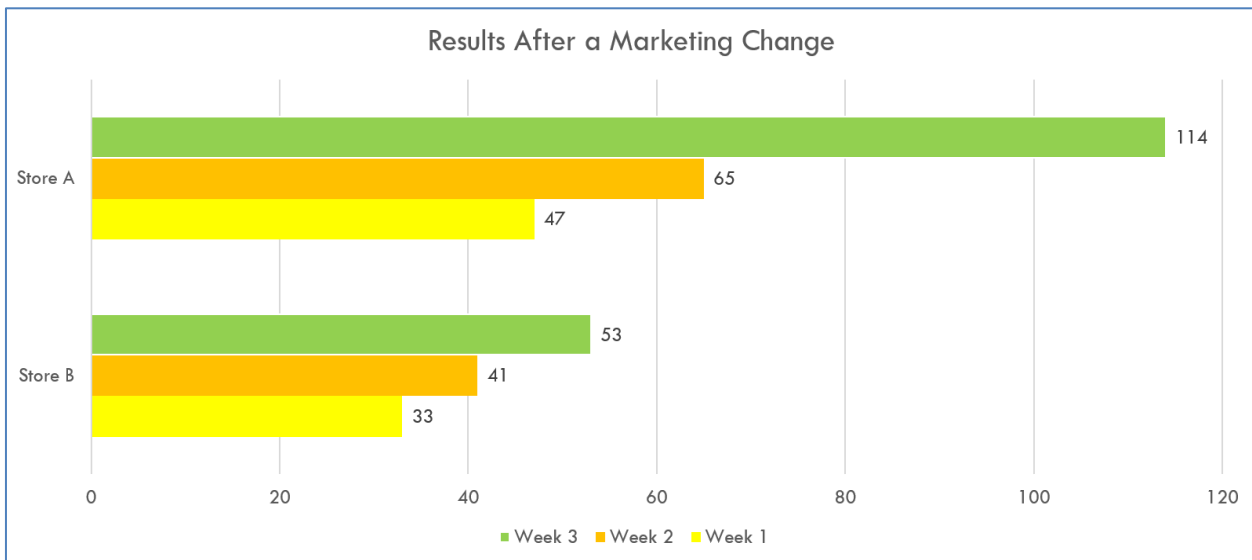


Figure B:  
Store A - Enhanced Marketing of the Supply Chain Service  
Store B - Baseline Store - Minimal Marketing of the Supply Chain Service  
Colored Bars represent the new customers sign-ups each week for the supply chain service



## Conclusion

There were several results derived from the study conducted. The first result is that successful supply chain capabilities need proper marketing techniques to successfully differentiate from competitors in the market. This is evident in the B2C results of the change in marketing strategy in the second retail store (Store A). Secondly, proper marketing of supply chain services can improve the success of B2B marketing efforts. These results were concluded from customer surveys, and the identification of the lack of knowledge of the supply chain service among the B2B consumers. The retailer had not focused on B2B marketing, and results suffered.

In either the B2C or B2B environment, the customer must be aware of the benefits offered by the supply chain in order to take advantage of these services, which is done through proper marketing. A business can have the best supply chain functionality and offer exceptional enhanced services, but it is necessary to properly market these features to customers. Without this proper marketing, customers may be unaware of what the supply chain has to offer for them (beyond the baseline customer service), and thus revenue opportunities are lost.

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