Customer-oriented logistics at Heinz

Analysis of Heinz’ customer base according to their logistic characteristics

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- Extended Summary -
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1 Research approach
This chapter describes the motivation for the research. First, in Section 1.1, the background of the research provides insight in the Heinz organization. In Section 1.2 the problem description for the graduation project is determined based on the objectives set by Heinz. In order to fulfill the research successfully, a formulation of the research objective and questions (Section 1.3) is needed, together with a clear project scope (Section 1.4).

1.1 Background: H.J. Heinz

1.1.1 Heinz Corporate
The H.J. Heinz Company was founded in 1869 in Sharpsburg, Pennsylvania by Henry J. Heinz. Heinz manufactures and markets an extensive line of food products throughout the world. The company’s principal products include ketchup, condiments and sauces, frozen food, soups, beans and pasta meals, infant nutrition and other processed food products for consumers, as well as food service and institutional customers (Heinz, 2010a).

Heinz had record sales of 10.1 billion dollars and an EPS growth of 10.3% in 2009. These results were driven by their portfolio of leading brands that hold number 1 or number 2 positions across six continents and in more than fifty countries. The company, lead by CEO William Johnson, employs approximately 32,400 people around the world (Heinz, 2010b).

The H.J. Heinz worldwide headquarters is located in Pittsburgh. The organization is divided into four regions:
- Heinz North America
- Heinz Europe (accounts for 33 percent of total sales)
- Heinz Asia Pacific
- Rest of the World (South America, Africa and the Middle East)

The European sector is divided into three regions and a couple of sub regions. Heinz Benelux is a sub region of the region Continental Europe. This is displayed in Figure 1.1.

![Figure 1.1: H.J. Heinz Corporate organization chart](image-url)
Heinz’ mission statement and values are depicted in Figure 1.2.

![Heinz Mission Statement](image)

Figure 1.2: Mission statement (Heinz, 2010c)

Heinz is eleventh in the worldwide packaged food industry according to their market share, as is shown in Table 1.1.

Table 1.1: Global players in the packaged food industry ranked by market share
(Euromonitor International, 2010 (adapted))

<table>
<thead>
<tr>
<th>Position</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nestlé SA</td>
</tr>
<tr>
<td>2</td>
<td>Kraft Foods Inc.</td>
</tr>
<tr>
<td>3</td>
<td>Unilever Group</td>
</tr>
<tr>
<td>4</td>
<td>PepsiCo Inc.</td>
</tr>
<tr>
<td>5</td>
<td>Mars Inc.</td>
</tr>
<tr>
<td>6</td>
<td>Groupe Danone</td>
</tr>
<tr>
<td>7</td>
<td>Kellogg Co.</td>
</tr>
<tr>
<td>8</td>
<td>General Mills Inc.</td>
</tr>
<tr>
<td>9</td>
<td>Groupe Lactalis</td>
</tr>
<tr>
<td>10</td>
<td>Ferrero Group</td>
</tr>
<tr>
<td>11</td>
<td>H.J. Heinz Co.</td>
</tr>
</tbody>
</table>

1.1.2 **Heinz Netherlands**

Heinz Netherlands is part of Heinz Benelux. In the Netherlands, Heinz produces more than just ketchup. The Heinz brands are shown in Figure 1.3.
After taking over Honig and Koninklijke De Ruijter in 2001, Heinz became number 2 in the Dutch food market. In the Netherlands, Heinz employs over 1100 employees. The EU and Benelux head office is located in Zeist (±300 employees). Furthermore, there are three factories in the Netherlands. The first factory is located in Utrecht (±100 employees), where fruit syrups and sandwich toppings are produced. The ketchup, sauces and dressings are produced in Elst (±450 employees). The dry products like Brinta and Honig are produced in Nijmegen (±330 employees), where the Heinz Innovation Center (HIC) is located as well. The HIC is responsible for the technical development of new concepts and products of Heinz brands. The factory in Nijmegen will be closed in 2012 due to alterations in the municipal land-use plans and the products produced here will be transferred to co-packers.

1.1.3 Heinz Logistics
Heinz Logistics Benelux is part of the department Heinz Supply Chain Benelux, which is lead by the Director Supply Chain Benelux. The Logistics & Planning Manager Benelux reports to him. This research is performed in a Trainee function under supervision of the Logistics & Planning Manager and the Customer Logistics Manager.

At Heinz there is a clear difference between inbound logistics (purchasing) and outbound logistics (sales). Regarding outbound logistics, two logistic service providers (LSPs) pick up goods from the three factories presented above, store the goods in their warehouse and deliver them to the customers.

1.1.4 Logistic service providers
In the Netherlands Heinz works with two logistic service providers:
- Bakker Logistiek
- Nabuurs

1.1.5 Customers
Heinz’ customers concern a variety of different businesses and they can be divided into two main groups. These customers will be discussed in more detail below.

Retail
The retail customers concern the Dutch supermarkets. In the food retail market, there are several combined buying groups. For Heinz, the most important ones, selling A-brands, are:
- Albert Heijn
- Bijeen (C1000, Super de Boer and Jumbo¹)
- Superunie (among others PLUS, Coop, Dirk van den Broek and Spar)

¹ Super de Boer and Jumbo will be merged into one organization: Jumbo.
The market shares of the combined buying groups mentioned above are depicted in Figure 1.4, together with the discounters (Aldi and Lidl, so excluding the Superunie Discounters Dirk van den Broek en Nettorama) and the rest of the supermarkets.

![Market shares supermarkets 2009](image)

**Figure 1.4: Market shares supermarkets 2009 (Distrifood, 2010)**

**Foodservice**

Heinz Foodservice is part of the Heinz-organization and focuses specifically on the total Out-of-Home market (including the supply to the food industry). In the Netherlands, Heinz Foodservice offers a complete portfolio of food products for professional cooks. Heinz’ main Foodservice customers (i.e. the customers with a yearly turnover of more than 4 million Euros) are:

- Deli XL
- Sligro
- Makro
- Hanos

**1.2 Problem description**

In preceding years, Logistics focused above all on costs. Since 2009 Heinz is going through a change process, where the focus shifts to the idea that logistics adds value in the supply chain. So, the input of Heinz Benelux during the 2009 Strategy Meeting Logistics HCE (Heinz Continental Europe) contained the perception of the Logistics & Planning Manager for the coming years. This perception was presented in a number of key steps Logistics has to take in the next years.

The steps have lead to a shared vision of Logistics HCE (Heinz, 2010d) in the second half of 2010:

“Optimal on shelf availability with the lowest cost-to-serve achieved in a sustainable way and with the highest perceived service by the customer versus competition”

This vision implies:

1. Pro-active approach towards customers (collaboration/partnership)
2. Knowledge of customer specific needs
3. Finding a balance between optimal cost-level and sustainability versus goals
4. Right talent with the right motivation

This research project will focus on the first two implications of the Logistics HCE vision, as is explained on the basis of some important key steps. First, Heinz Logistics currently focuses on costs and customer service level, because the objective is to reduce the logistic costs by four percent each year. Nevertheless, this cost focus cannot be at the expense of the service quality. As is said by Fernie and Sparks (2009) “managing the logistics mix in an integrated retail supply chain while aiming to balance cost and service requirements are
the essential elements of logistics management. If the system is too cost-focused then it may not meet the consumer demands, with potentially terrible business consequences. Conversely, too much focus on consumer demands and the provision of too high service levels will cause cost problems for retailers.” Logistics has to become a more value added service, i.e. there has to be a bigger focus on Value Added Logistics2. This means that it is very important for Logistics to become and be viewed as a value adding department, instead of a cost center.

Second, at this moment the work process regarding customer logistics can be defined as being reactive. This means that whenever a problem occurs at one of the customers, this problem is solved as good and fast as possible by the Customer Logistics Manager. In these ‘problem’ cases, there is (additional) personal contact with the customers, mostly with the customers’ logistic department. Besides these incidents there is nearly no contact regarding logistic subjects with the customers. In order to improve their customer relationship and gain competitive advantage, Heinz would like to offer their customers possibly more and other services. That is the reason why Heinz wants to move from a reactive way of working to a more proactive and responsive way, which is accomplished by setting direction and taking control.

Finally, Heinz wants to move from a ‘one size fits all’-approach to an approach with a ‘customized fit’. This approach modification can be achieved through developing a ‘logistical menu card’, or a customer-oriented logistics model, for selected customers. Such a model provides insight into the customers and their logistics.

1.3 Research objective & questions

The vision of Logistics HCE leads to an approach which needs to serve the goal of having satisfied customers and becoming their logistical preferred supplier. It is necessary to achieve more streamlined processes within the supply chain and take into account that the customers have to be supplied in line with an optimal combination of costs, service and sustainability. This results in the research objective below.

1.3.1 Research objective

Differentiate Heinz’ customers according to their logistic characteristics and develop a customer-oriented logistics approach.

1.3.2 Research questions

With the research objective in mind, the first important aspect is to gain insight into the current organization around logistics at Heinz (RQ1). After that the customer-oriented logistics approach can be described by means of modeling (RQ2). Once the positioning model is completed, the implications which can be derived from the model are explained (RQ3). In order to answer these research questions, a theoretical foundation is necessary, which can be found in the literature review in Chapter 2.

1. What is the current situation regarding logistics at Heinz?

This question is answered in Chapter 3. First we will explain how Logistics is organized and present a benchmark to show where Heinz Logistics stands at this moment. Also an overview will be provided about Heinz’ relationship with its customers and what the customers’ expectations and desires are regarding logistics. After that the relationship with the logistic service providers is described, followed by a list of competitors.

Before being able to answer this research question, we will present the gathered information from which analyses can be made. Partly this data consists of documents, giving insights in Heinz, their customers and logistic service providers. Further data is collected by semi-structured interviews with

2 Complementary services that are added to a product during the logistic process, like packaging, repacking, labeling, pricing and assembling.
stakeholders such as account managers, employees of the logistic department at Heinz, the logistic service providers and the customers.

2. How can customer-oriented logistics be modeled?
Heinz’ ultimate logistic goal is to become the customers’ preferred supplier and to achieve more streamlined processes within the supply chain. In Chapter 4 the customer-oriented logistics model will be described. The goal of this positioning model is to get more insight in how customers perform on a logistical level and use this information to accomplish more streamlined processes within the supply chain. The idea behind this model is that you can distinguish different kinds of customers and different customer groups. When considering a strategic partnership as the highest achievable form of collaboration, customers become more interesting for Heinz when they are larger according to their yearly turnover and also when they are better able to manage logistics, i.e. how logistically professional they are. This will result in a positioning model in the form of a matrix with on one axis the customer’s turnover at Heinz and on the other axis the degree to which a customer is logistically professional. The criteria underlying the concept of logistic professionalism will be explained in this chapter.

3. What are the implications of the customer-oriented logistics model?
The model will lead to customers that are interesting for Logistics to collaborate with (or not) on different levels (Chapter 5). This outcome will have to be compared with the vision of Sales, so which customers has Sales pointed out as being focus customers? Consequently, possible improvement projects will follow from this and then priorities can be given to certain customers and projects.

To better serve the customer, there also has to be good communication internally within Heinz, between Logistics and Sales. So, first arrangements have to be made internally. For getting extra information about the possibilities of this subject, a discussion meeting will be organized with the Sales teams. During this session the responsibilities of the different departments can be explained and a brainstorm might lead to new ideas for internal and external collaboration.

1.4 Research scope
An important aspect of this research is a clear delineation. Heinz Benelux as a whole is too big for this research, so a couple of decisions have to be made to set the scope of this research. These decisions are listed below.

- This research project will focus on Heinz Netherlands, so Belgium and Luxemburg will be excluded.
- As is stated in Section 1.1.3, logistics consists of inbound and outbound logistics. This research will focus on the outbound logistics.
- Regarding the Retail customers, we will include all customers in the Netherlands which are united in a combined buying group. As shown in Section 1.1.5 these groups are: Albert Heijn, Bijeen and Superunie. These customers are Dutch supermarkets and represent the biggest share of Heinz’ Retail customers.
- With regard to the Food Service customers, it is generally accepted that they are considered to be followers with regard to logistics. For this reason the decision is made to exclude the Food Service customers from this research.
2 Literature review

In order to achieve customer-oriented logistics within a company, it is important to have an understanding of the relationships in the supply chain the company is part of. So, in Section 2.1, some information will be provided about the relationships in the retail supply chain. After that, in Section 2.2 customers’ expectations and desires regarding logistics are discussed. In Section 2.3 the concept of logistics value is introduced. The most important aspect of logistics value is the supplier-customer relationship, which will be explored through the concept of interfirm partnering in Section 2.4.

2.1 Relationships in the retail supply chain

2.1.1 Suppliers & retailers

As is described by Fernie and Sparks (2009), retailers are becoming more sophisticated in their approach to demand and supply management and there has been considerable progress in moving from a traditional organizational structure, the ‘bow tie’, to a multi-functional team structure (Figure 2.1) as relationships changed between retailers and their suppliers (Table 2.1).

![Figure 2.1: Transformation of the interface between manufacturer and retailer (Fernie & Sparks, 2009)]

Table 2.1: Changing relationships between manufacturers and their suppliers (Fernie & Sparks, 2009)

<table>
<thead>
<tr>
<th>Current relationship</th>
<th>Target relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adversarial relationship</td>
<td>Collaborative relationships</td>
</tr>
<tr>
<td>Price</td>
<td>Total cost management</td>
</tr>
<tr>
<td>Many suppliers</td>
<td>Few ‘alliance’ suppliers</td>
</tr>
<tr>
<td>Functional silos</td>
<td>Cross-functional</td>
</tr>
<tr>
<td>Short-term buying</td>
<td>Long-term buying</td>
</tr>
<tr>
<td>High levels of just-in-case inventory</td>
<td>Compressed cycle times and improved demand visibility</td>
</tr>
<tr>
<td>Expediting due to problems</td>
<td>Anticipating due to continuous improvement</td>
</tr>
<tr>
<td>Historical information</td>
<td>‘Real-time’ information (EDI)</td>
</tr>
<tr>
<td>Short shipments</td>
<td>Reliability focus</td>
</tr>
<tr>
<td>Inefficient use of capacity</td>
<td>Run strategy and synchronization</td>
</tr>
</tbody>
</table>
2.1.2 Suppliers & logistic service providers

Much has been written on relationships in the supply chain, but the actual physical process of getting the products to the retailers has been largely ignored. Empirical surveys have shown that the contract logistics market has grown and the providers of services have increased in status and professionalism. Logistics is no longer only associated with trucking, but also with warehousing, inventory control, systems and planning (Fernie & Sparks, 2009).

2.2 Customers’ logistical expectations & desires

Stank et al. (1998) state that marketers often describe their job as managing the proper mix of the ‘four Ps’ - product, price, promotion, and place – to achieve strategic goals. In practice, however, they frequently emphasize the first three over the fourth. ‘Place’, which includes the logistical processes involved in getting the right product to the right place at the right time, is too often regarded as a cost to be dealt with after demand has been created. It is rarely considered critical to business success. Rather, emphasis is placed on reducing logistics costs to the lowest level possible to maximize the profit potential of sales already on the books. Ideally, marketers should be exploiting logistics capabilities to increase customer satisfaction and maintain customer demand.

Research has found that purchasing managers for industrial customers deem place concerns as among the most important elements of the buying decision. Table 2.2 highlights a 1989 study by Lambert and Warrington that reported purchasing managers’ perceptions of the relative importance of marketing mix elements. Six of the top nine variables influencing purchasing decisions were related to logistics and customer service. The fact that two thirds of the variables concerns logistics points out the importance of logistics for a customer.

<table>
<thead>
<tr>
<th>Description of variable</th>
<th>Marketing mix component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to meet promised delivery date</td>
<td>Logistics/customer service</td>
</tr>
<tr>
<td>Accuracy in filling orders</td>
<td>Logistics/customer service</td>
</tr>
<tr>
<td>Advance notice of shipping delays</td>
<td>Logistics/customer service</td>
</tr>
<tr>
<td>Action on customer service complaints</td>
<td>Logistics/customer service</td>
</tr>
<tr>
<td>Information on shipping dates</td>
<td>Logistics/customer service</td>
</tr>
<tr>
<td>Length of promised lead times for in-stock products</td>
<td>Logistics/customer service</td>
</tr>
<tr>
<td>Overall quality relative to price</td>
<td>Product</td>
</tr>
<tr>
<td>Competitiveness of price</td>
<td>Price</td>
</tr>
<tr>
<td>Prompt follow-up from sales force</td>
<td>Promotion</td>
</tr>
</tbody>
</table>

Successful logistics organizations engage in deliberate efforts to understand their customers’ needs and expectations and are able to provide services to meet them efficiently. Firms that can leverage logistics in such a manner, particularly in industries with very homogeneous products, have more satisfied buyers. Customer satisfaction is a critical performance outcome for service operations. It is believed to be one of the most viable means of gaining the loyalty of current customers (Stank et al., 1998).

Stank et al. (1998) observed the impact of logistical service capabilities on customer satisfaction in the personal products industry, which represents the retail customers. The results, presented in Table 2.3, provide an indication of the relative importance of logistics/distribution service elements within the industry. This gives insight into what retail customers’ wishes or desires are on a logistical level.
Table 2.3: Ranking of importance of logistics/distribution service elements (Stank et al., 1998)

<table>
<thead>
<tr>
<th>Retail Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fill rate</td>
</tr>
<tr>
<td>2. Orders shipped complete</td>
</tr>
<tr>
<td>3. Delivery on due date</td>
</tr>
<tr>
<td>4. Communicating problems or changes</td>
</tr>
<tr>
<td>5. Invoice accuracy</td>
</tr>
<tr>
<td>6. Cycle time consistency</td>
</tr>
<tr>
<td>7. Cycle time length</td>
</tr>
<tr>
<td>8. Willingness to customize service</td>
</tr>
<tr>
<td>9. Frequency of deliveries</td>
</tr>
<tr>
<td>10. Use of preferred carriers</td>
</tr>
<tr>
<td>11. Use of advance ship notices</td>
</tr>
</tbody>
</table>

Comparing Table 2.3 to Table 2.2 it becomes clear that all logistic variables from Table 2.2 are mentioned in Table 2.3. Two variables regard more than one service element: accuracy in filling orders concerns fill rate as well as orders that are shipped complete and the length of promised lead times for in stock products concerns both the cycle time consistency and length. The three service elements that Table 2.3 mentions on top of the information in Table 2.2 are invoice accuracy, frequency of deliveries and use of preferred carriers. A comparison of these two tables is provided in Table 3.2 (Chapter 3).

Besides the service elements described in Table 2.3, which are more general and long term, there are also some order specific services logistics can offer to the customers. These order specific services are described as Value Added Logistics (VAL) in a narrow sense (Table 2.4). For example, bulk breaking means that customers do not receive a full pallet as delivered from the factories, but they only receive several layers from the full pallet on another pallet. The customers’ order specific wishes (i.e. the order specific services) can differ per order.

Table 2.4 shows VAL that can be applied to an industrial environment. In order to make the overview applicable to the retail industry, some of the mentioned services can be left out of consideration. The non-applicable services have a gray color in the table.

Table 2.4: Value Added Logistics in a narrow sense and broad sense
(adapted from D’haeyere, 2006)

<table>
<thead>
<tr>
<th>Value Added Logistics in a narrow sense (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulk breaking</td>
</tr>
<tr>
<td>Final assembly</td>
</tr>
<tr>
<td>Mixing</td>
</tr>
<tr>
<td>Reconditioning</td>
</tr>
<tr>
<td>Specific packaging</td>
</tr>
<tr>
<td>Adding manuals</td>
</tr>
<tr>
<td>Configuring</td>
</tr>
<tr>
<td>Installing on location</td>
</tr>
<tr>
<td>Assembling accessories</td>
</tr>
<tr>
<td>Repairing</td>
</tr>
<tr>
<td>Repacking</td>
</tr>
<tr>
<td>Order assembly</td>
</tr>
<tr>
<td>Labeling</td>
</tr>
<tr>
<td>Tailoring</td>
</tr>
<tr>
<td>Fixing transport damage</td>
</tr>
<tr>
<td>Testing and quality control</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Informative services (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market research</td>
</tr>
<tr>
<td>Telemarketing</td>
</tr>
<tr>
<td>Call center for complaints</td>
</tr>
<tr>
<td>Marketing services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remaining activities (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry/training customers</td>
</tr>
<tr>
<td>Debtors ledger</td>
</tr>
<tr>
<td>Invoicing end users</td>
</tr>
<tr>
<td>Reviewing creditworthiness</td>
</tr>
</tbody>
</table>

| Value Added Logistics in a broad sense = A + B + C |

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2.3 Creating logistics value

As is stated in Section 2.2 customer satisfaction underlies customers’ loyalty. Gil-Saura et al. (2008) explain through the concept of logistics value how this loyalty can be encouraged. Logistics value is a trade-off between logistics service benefits and sacrifices perceived by the customer throughout the commercial relationship between the two companies. Logistics adds value for customers and provides companies with a clear competitive advantage, and improving logistics service should be a high priority because it is a key factor for company success and competitive differentiation. The following variables contribute to forming logistics value: logistics service quality, logistics service sacrifices and costs, management of supplier-customer relations and ICT (Gil-Saura et al., 2008). These variables are described in more detail below and the causal relationships are displayed in Figure 2.2.

Figure 2.2: Path diagram of causal relationships concerning logistics value (adapted from Gil-Saura et al., 2010)

2.3.1 Logistics service quality

Service quality makes it possible to increase the value offered to the customer by strict fulfillment of orders, avoiding stock-out, complying with delivery dates, offering a high delivery frequency or efficient management of complaints and refunds (Gil-Saura et al., 2010).

One aspect that is important for the quality is the way of placing orders. The most basic way of placing orders, although outdated, is via telephone or fax. An improvement on this way of ordering is through Electronic Data Interchange (EDI) communication. The initiative Efficient Consumer Response (ECR, see Glossary) describes that the most efficient way of ordering is through Vendor Managed Inventory (VMI). This requires daily review of the retail sales and stock position, with an order only suggested when necessary to meet previously agreed target stocking levels. The replenishment algorithm uses actual retail sales information for forecasting future sales, on the basis of which a new delivery is calculated. VMI, among others, focuses on enabling the sharing of information on products between parties to optimize the supply chain, reduce out-of-stocks and improve speed-to-shelf behind new product introductions.

2.3.2 Logistics service sacrifices and costs

The price associated to logistics service delivery is the main sacrifice, with a positive effect for cost savings, profitability and efficiency. Thus, the logistics function developed by the supplier will generate logistics value when it is capable of reducing costs and this saving is passed on to the end price of the product. Nevertheless, we state that the influence of non-financial sacrifices on logistics value should also be taken into account (Gil-Saura et al., 2010), but we will not elaborate on this aspect in this study.
2.3.3 **Benefits derived from supplier-customer relationship management**

The emphasis is not only on the logistics benefits themselves and those obtained from ICT, but also on the benefits derived from developing systems of interaction, coordination and synchronization among all channel members to guarantee the main objective: satisfying end consumer needs in terms of form, place, time and possession. The literature therefore proposes variables such as trust, commitment, flexibility and the personal supplier–customer relationship to define variables which act as antecedents to logistics value from the perspective of benefits derived from intensifying the relationship. In addition to this direct, positive link between relational benefits and logistics value, the literature also establishes that these benefits influence logistics service quality. Flexibility in the execution of agreements and commitments is a relevant variable for maintaining the relationship (Gil-Saura et al., 2010).

The amount of trust, collaboration and commitment can be translated into the willingness of a customer to share information. The sharing of information is emphasized by the Global Commerce Initiative (GCI, see Glossary). Also, it is important to maintain the relationship, which can be achieved through a personal relationship. This can be translated into the existence of logistical meetings on a regular basis between the logistic experts at the supplier and the customer. During such meetings the logistics and ICT benefits can be discussed and moreover, flexibility will probably be increased.

GCI stresses that accurate information is the basis of any commercial enterprise. This is particularly true in the fast-moving, quick-response world of manufacturing and retail. By building a better way of sharing information over the entire supply chain, all parties in the value chain can improve their ability to serve the consumer. GCI’s report ‘Future Supply Chain 2016’ focuses on the future physical supply chain and the critical role that collaboration will play moving forward. The future model will be based on multi-partner information sharing among key stakeholders: consumers (the originators of the demand signal, either from home or from a store), suppliers, manufacturers, logistics service providers and retailers.

Since the supplier-customer relationship is essential in creating logistics value, this aspect is discussed in more detail in Section 2.4.

2.3.4 **Information and communication technologies**

By including ICT, the company can increase the value offered to the customer, because they permit more efficient information management, facilitating information distribution and connection between departments and companies. ICT increases efficiency in value chain activities, in particular the primary logistics activities of input and output, it can reduce information distortion along the channel and promote relationship marketing. In short ICT improves the quality of information available for decision-making, improve channel member relationships and facilitates the application of other logistics activities (Gil-Saura et al., 2010).

One ICT-component is important for customers to have, namely ICT for integration technology. The ICT available for logistic integration are proposed by Global Standard One, as is explained below.

With the purpose of optimizing the flow of goods within an organization and through the supply chain and realizing tracking and tracing, GS1 has developed standards to offer support. These standards are the GS1-shipping code (SSCC), the GS1-label and the EDI-shipping notification (DESADV). According to GS1, the use of these standards could realize time reductions up to eighty percent. Also the number of errors will decrease in receipts registration and all preceding activities in the supply chain.

With the internationally accepted GS1-shipping code – the Serial Shipping Container Code (SSCC) – every individual logistical shipping unit, like a pallet or a roll container, gets a unique identification number. Based on this code all supply chain partners can automatically identify and recognize the shipping unit. The SSCC contains information about the contents of the specific unit, which is sent along via an electronic shipping
notification. This concerns information such as the product type, number of products, batch numbers, expiration date, shipper, recipient, and etcetera.

The SSCC is displayed at the bottom of a GS1-label, the SSCC-label (see Figure 2.3), in the form of a GS1(EAN)128-barcode. Besides displaying the SSCC, this barcode can be used for representing additional information, like the batch number or the expiration date. The EAN13-barcodes, used on consumer products, do not have this functionality.

![Figure 2.3: SSCC-label](image)

The unique SSCC is also part of the EDI-shipping notification, or DESADV. This stands for DESpatch ADvice. The shipping party (like a manufacturer) informs the receiving party (like a customer) with this EDI notification. The DESADV tells the recipient when which shipping units with which products and product characteristics are delivered. The customer is able to scan the SSCC from a shipping unit. By doing this the customer is able to match the previously received data from the DESADV. Consequently a customer knows exactly which products have arrived. The cohesion between SSCC, GS1-label and DESADV can be seen in Figure 2.4.

![Figure 2.4: Cohesion between SSCC, GS1-label and DESADV](image)

2.3.5 Logistics value and its consequences

Management of the logistics function oriented towards value generation translates into increased customer satisfaction. The main mission for logistics is customer satisfaction through the delivery of value. Customer satisfaction depends on the degree in which the link between logistic service results and customer expectations is fulfilled. Accepting the importance of expectations in customer satisfaction leads companies to pro-actively seek out customer logistics needs. It is a question of finding out and interpreting customer
requirements and processes, in order to offer them a personalized logistics service which satisfies their expectations.

Delivery of value and achieving satisfaction may be the basis for developing this relationship, and so it is possible to speak of a conceptual network of value–satisfaction–loyalty. Loyalty and satisfaction are inextricably linked, however, this relationship is often asymmetric and that although loyal customers are usually satisfied, satisfaction does not universally translate into loyalty (Gil-Saura et al., 2008).

2.3.6 Implications of logistics value
Customers prioritize the quality of the logistics service received over the cost. In other words, customers are aware that better logistics service implies a higher cost but this is compensated for by the improvement in the service received. This behavior would confirm the fact that logistics is no longer seen a mere cost but is perceived as an essential activity for competitive differentiation. However, as Fernie and Sparks (2009) state, “it is generally agreed that the power base has shifted over time from supplier to retailer”. This means that customers are demanding higher service without a price increase.

The implications for the management are to strengthen their position in the market. Companies must manage their logistics service from an integral, unified perspective directed towards satisfying customer needs. A logistics service should be conceived of as an interrelated set of activities which permit improvements to the service offered to the customer thus increasing the value. With this objective, companies should act in particular on logistics service quality as it is the most influential variable, stressing aspects such as: quality of the information transmitted throughout the supply chain, fulfilling delivery terms, delivering the order with no errors or damage, and guaranteeing correct treatment of the customer by the contact staff.

Integral logistics management which goes beyond the boundaries of the organization to include both suppliers and customers will mean that logistics activities can be optimized throughout the supply chain, minimizing resources and therefore costs (Gil-Saura et al., 2008).

2.4 Interfirm partnering in the retail supply chain
In this section the supplier-customer relationship (Section 2.3.3) is discussed. Mentzer et al. (2000) state that partnering is a way to find and maintain competitive advantage and important for successful retail supply chain relationships. Many retail supply chain relationships are simply transactional buyer-seller relationships, which are treated on a purchase-by-purchase basis. The relationship between buyer and seller does not look beyond the scope of the individual purchase and, therefore does not address the level of operational or strategic coordination or partnering. This distinction in relationships is depicted in Figure 2.5.

![Figure 2.5: From transactional relationships to partnerships](image)

2.4.1 Partnering orientation
Strategic partnering is a relationship designed to achieve long-term strategic objectives and, thus, improve or dramatically change a company’s competitive position through the development of new technology, new products, and new markets. Besides current benefits (operational efficiency and effectiveness), the focus is on future outcomes (competitive advantage).

An operational partnering orientation seeks improvements in operational efficiency and effectiveness. Efficiency minimizes resource use to accomplish specific outcomes, whereas effectiveness is the ability of
channels to deliver products or services in a manner that is acceptable to end users. The focus is mainly on current benefits.

The difference in focus between strategic and operational partnerships is shown in Table 2.5.

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Operational</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-going</td>
<td>As-needed</td>
</tr>
<tr>
<td>Long-term</td>
<td>Shorter-term</td>
</tr>
<tr>
<td>Strategic goals, which deliver value to</td>
<td>Obtaining parity with competitors</td>
</tr>
<tr>
<td>customers and profitability to partners</td>
<td></td>
</tr>
<tr>
<td>Future outcomes</td>
<td>Current benefits</td>
</tr>
</tbody>
</table>

In the next subsections we provide an integrated view of partnering by showing the similarities and differences between strategic and operational partnering in terms of environmental pressures, antecedents, orientation, implementation characteristics, and consequences. Figure 2.6 provides the conceptual framework of these relationships.

2.4.2 Environmental partnering pressure

Markets are becoming more international, dynamic and customer driven, which leads to an increase in partnering in retail supply chains. Customers are demanding more variety, better quality and better service. Three environmental pressures encourage the formation of partnerships: environmental uncertainty, global competition, and time and quality based competition.

2.4.3 Partnering antecedents

Once the environmental pressure to form partnerships exists in the macro environment, interdependence, conflict, trust, commitment, organizational compatibility, and top management vision of the firms within a particular supply chain are antecedents of the resulting partnering orientation type (strategic versus operational). Without the synergy of a strong combination of trust, commitment, interdependence, organizational compatibility, top management vision toward strategic partnering, and little conflict between the partners, a strategic partnering orientation will not develop. Lower levels of these antecedents may lead to an operational partnering orientation. Also, complementarities across the two
Comparing these partnering antecedents (Figure 2.6) to the benefits derived from supplier-customer relationships (Figure 2.2), a few aspects overlap, namely: trust, commitment & collaboration with trust & commitment and the personal relationship with the interdependence between supplier and customer. The benefits point out which aspects need to be well developed in order to enter partnerships and the antecedents represent constraints for entering a partnership. The overlapping aspects play a role in the following chapters.

2.4.4 Partnering implementation
Partnering orientation (strategic or operational) is implemented by information sharing, technology utilization, strategic interface teams, organizational issues, joint programs, asset specificity, and establishing joint performance measures.

2.4.5 Competitive attainment
Competitive attainment is a continuum from competitive advantage through competitive parity to competitive disadvantage (Figure 2.6). Each of the positions along the continuum is relative to other competing supply chain partnerships.

Since firms in a strategic partnership are interested in accomplishing both current and future goals, there is a higher chance that strategic partnering creates a relationship that is not easily imitated and, thus, enables each partner to obtain competitive advantage. Firms in an operational partnership, however, at most achieve competitive parity because they do not pursue long term, strategic goals that lead to competitive advantage. A competitive disadvantage may occur when a firm chooses not to enter partnerships with other firms in their supply chain while their competitors form partnerships, obtaining lower costs and/or differentiation.

2.4.6 Business performance outcome
The level of competitive attainment affects both partners’ business performance. The highest level of competitive attainment (competitive advantage) leads to higher levels of partner economic performance, customer satisfaction and loyalty, and relationship effectiveness. Brands with high consumer loyalty face less competitive switching in their target segments, which can lead to higher prices and profitability. The same can be said of retailer customer loyalty. Relationship effectiveness is the extent to which both firms are committed to the partnership and find it productive and worthwhile, the extent to which each partner carries out its responsibilities and commitments, the time and effort to build and maintain the relationship, and satisfaction with the relationship.

Strategic partnering requires much time and effort to maintain a higher level of cooperation, and the investment in irreplaceable assets may be difficult to recover. Operational partnering may be more appropriate and more likely to succeed between firms that are pursuing the maintenance of competitive parity.

2.5 Conclusion
Relationships in the retail supply chain are changing. Traditionally only the supplier’s Key Account Manager had a relationship with the customer’s buyer, whereas nowadays there are more multifunctional relationships. For logistics this means that there is contact between the logistic professionals at the supplier and the customer. Also the relationship with LSPs has changed over the years, since they do not only carry out the supplier’s transport, but also take care of warehousing, inventory control and planning.

Besides the above, it becomes clear how important logistics is for the customer. This is clarified by the fact that two thirds of the buyer’s decision process is influenced by logistic variables. Also, the customer’s
logistical expectations and desires are described. General and mainly longer term service elements are explained and also order specific services, in the form of Value Added Logistics in a narrow sense, are depicted. All of these aspects can be used as input for conducting interviews. The data collected from these interviews are described in Chapter 3.

Four antecedents precede logistics value in order to satisfy the customers: logistics service quality, logistics service sacrifices and costs, management of supplier-customer relations and ICT. These antecedents are what customers expect from companies for them to evaluate a company on a logistical level. These components can also be used as a basis for evaluating the customers on a logistical level, i.e. to what extent are the customers able to allow products to flow smoothly through the supply chain. As of Chapter 4 we will refer to this aspect as the degree to which a customer is logistically professional.

The most important aspect of logistic professionalism is the customer-supplier relationship, which is elaborated through the concept of interfirm partnering. A certain level of logistic professionalism is required for entering partnerships. A continuum exists between operational and strategic partnering. But transactional retailer-supplier relationships will continue to be more common in number than partnerships. A constraint for entering any kind of relationship is that an organization’s internal processes are properly ordered. After that, in Chapter 5, different implementation strategies can be formulated for different sorts of relationships.
3 Current situation

Heinz Logistics is subject to change. And Heinz Logistics is willing and able to adapt to these changes. This is shown by the willingness to go from a push to a pull system, the implementation and wider range of possibilities of SAP and the fact that customer specific performance indicators are being developed. Moreover, sustainability will play a growing part in logistics. The Retail Sales Benchmark underlined these changes and proposes that Heinz Logistics has to be more proactive and customer oriented.

In the interviews (the need for) change was an important subject. The relationships with customers (and LSPs) are different than a few years ago and will continue to develop through for instance interfirm partnering.

Customers’ expectations and desires regarding logistics especially concern the fill rate and the willingness to customize service. Communicating problems or changes, delivery on due date and orders shipped complete are also very important. By coming up to these expectations, Heinz can create logistics value for its customers.

With regard to the internal wishes about logistics, the main aspects are communication improvement and more and better collaboration with other departments, next to efficiency improvements. Furthermore, Heinz should profile logistics and get more visibility in the industry by showing initiatives in the field of logistics and supply chain management.
4 Customer-oriented logistics

In order to gain insight into the customers and their logistics, we develop a customer-oriented logistics model. In this section we introduce the concept of customer-oriented logistics. For the operationalization of this concept we refer to Section 4.2. Instead of the idea of 'one size fits all', Heinz wants to shift to a more customized situation. With this model we can determine which customer will receive what kind of service, because it is evident that not every service is as effective for all customers. That is why the model will distinguish different customer groups and services will be defined according to the needs and wishes of the customers in that specific group.

When applying a customer-oriented approach within the logistics function in a company, it is important to gain insight into how important the customer is for a company and to what extent they have professionalized their logistics. The importance of the customer can be expressed in terms of what the amount of turnover of the specific customer is at the supplier. These two aspects are essential, because a customer-oriented logistics approach should support a company with the decision about which customers they would like to focus on.

In the customer-oriented logistics model (Figure 4.1) we position the customers in a matrix with two axes, so that four groups are formed. Based on the internal and external interviews, we can say that there is a significant difference in the degree in which customers have developed their logistics. In the model this aspect is called logistic professionalism and forms one of the two axes. The other axis is formed by the customer’s share at Heinz, representing the percentage of yearly sales per customer within Heinz Retail. Another customer characteristic that is represented in the model is the customer’s profitability at Heinz Retail. This is depicted in the size of the bubbles representing the customers. After the positioning of the customers into four different groups, we describe which services can be offered to the different customers and customer groups. The idea of this positioning model is that Heinz Logistics can only influence logistic professionalism directly and not the customers share within Heinz. But when looking back to the concept of logistics value and Heinz Logistics helps customers to develop their logistic professionalism, customers will be more satisfied and consequently more loyal. This loyalty might lead to customers increasing their Heinz assortment and this means that the customer’s share at Heinz also increases.

![Figure 4.1: Example of a customer-oriented logistics model](image)
The definition of logistic professionalism is not directly self-evident. That is why this concept is split up into different criteria. Five criteria are chosen and all criteria are scored on a four-point-scale: 0, 1, 2 or 3 and all criteria receive the same weight. However, in practice it might turn out that it is harder to meet the requirements for some criteria.

The first criterion concerns the **method of ordering**, a form of logistics service quality (Subsection 2.3.1). The simplest way of ordering is placing orders by fax (or even telephone). This method is not used anymore by the Dutch supermarkets (retail), while most food service customers still order by fax. Since it is an outdated method, customers using it will score no points on this criterion. As information technology is well developed nowadays, ordering through EDI (Electronic Data Interchange) is a prerequisite, especially in retail. Because EDI-ordering is expected to be so basic, this ordering method receives one point. As described by the Efficient Consumer Response (ECR see Subsection 2.3.1), the most common form to effectively use efficient replenishment is VMI (Vendor Managed Inventory), which is a form of strategic partnership. Since this method is a large step compared to ‘just’ using EDI, and at this moment it is the highest achievable method in ordering, if a customer applies VMI with Heinz, they will receive three points. The score of two points will be skipped, because VMI is not in proportion to EDI as EDI is to ordering by fax. This leads to the following scores:

- 0 points: fax/phone
- 1 point: EDI
- 3 points: VMI

The second and third criteria address the management of supplier-customer relations (Subsection 2.3.3). The first relationship criterion is **willingness to share information**. This aspect is acknowledged by different organizations, one of them being the Global Commerce Initiative (GCI). Subsection 2.3.3 explains why GCI finds it so important that organizations within a supply chain share information. GCI also emphasized its importance in the characteristics of the Future Supply Chain. To be able to score the customers in a reliable way, the results of the Industriatie-research are used. In this yearly research ninety selected producers give their opinion about their customers (the Dutch supermarkets) on six criteria in three areas: purchasing, category and formula management. One of the two criteria in category management is ‘the willingness to share information’ (EFMI et al., 2010). The scores that are given on this criterion, combined with information from the interviews, are used to score Heinz’ customers. The ranges are not all equally large. First, all scores below 5.0 result in 0 points, because this reflects insufficient behavior. When a customer scores (almost) sufficient, so between 5.0 and 5.9, it receives 2 points. The largest group of customers score between 6.0 and 6.4 points and that is why this range is chosen to be relatively small. Every customer with a score above 6.5 receives the maximum score. So, the scoring is adapted as follows:

- 0 points: score = [1.0 - 4.9]
- 1 point: score = [5.0 - 5.9]
- 2 points: score = [6.0 - 6.4]
- 3 points: score = [6.5 - 10.0]

The second relationship criterion is Heinz specific: the existence of **logistic meetings on a regular basis** between Heinz’ Customer Logistics Manager and the customer. The same reasoning applies as in the standardization criteria: either there are logistic meetings or they are non-existent, so the following scores apply:

- 0 points: not used
- 3 points: used
The fourth and fifth criteria address the level of applying ICT standardization within the supply chain (Subsection 2.3.4). The need for standardization was once recognized by GS1 and they have developed standards that can be applied in organizations worldwide. The two standardization aspects that are important for logistic professionalism are the utilization of SSCC-labels and DESADV-messages. Since there is no ‘middle way’, the following scores apply for both criteria:

- 0 points: not used
- 3 points: used

The individual customer scores are left out in this summary.

*Customer share* is the customer’s share with regard to Heinz Retail’s net sales value. The *customers’ profitability* is expressed in the percentage of the customer’s gross profit within Heinz Retail. Both *customer share* and *customer profitability* are financial measurements, which are left out in this summary.

The position of the customers within the model provides insight into how customer-oriented logistics can be implemented at Heinz. Chapter 5 describes the use of the model.
5 Use of customer-oriented logistics

5.1 Introduction

As we argue in Chapter 4, Heinz Logistics can only influence the customer’s logistic professionalism in a direct way and not the customer’s share within Heinz. But by influencing the customer’s logistic professionalism in a positive way and thus creating logistics value for the customer, it can indirectly influence the customer’s share. This is because we argue that logistics value leads to customer satisfaction, which in turn hopefully leads to the customer being loyal. Loyal customers are likely to increase their Heinz assortment and in this way they generate a larger share within Heinz.

As the most important and the most influenceable aspect of logistic professionalism is the customer-supplier relationship, we focus on this aspect for the implementation of customer-oriented logistics at Heinz. The management of customer-supplier relations is clarified through the concept of interfirm partnering. A continuum exists between operational and strategic partnering. But transactional retailer-supplier relationships will continue to be more common in number than partnerships (see Section 2.4). If functional silos with internal organizational barriers exist within both the buyer and supplier, it is unlikely organizational issues in a partnership will be solved (Mentzer et al., 2000). This means that a constraint for entering any kind of relationship is that an organization’s internal processes are properly ordered. So, this section focuses on how Heinz Logistics can take the lead in improving their relationship with other Heinz departments. Next, we describe the improvement of the external relationships according to the customer-oriented logistics model. After that we combine the Logistics vision resulting from this model with the Sales vision. This is followed by a description of how Logistics can take the lead in improving their relationship with other Heinz departments.

5.2 Organization of external relationships

The implementation aspects from the concept of interfirm partnering (Mentzer et al., 2000) can be used for implementing a customer-oriented logistics approach. Partnering orientation (strategic or operational) can be implemented by information sharing, technology utilization, strategic interface teams, joint programs, and establishing joint performance measures. We have constructed a guideline for the application of these aspects for possible improvement projects (Table 5.1).

<table>
<thead>
<tr>
<th>Implementation aspect</th>
<th>Strategic partnerships</th>
<th>Operational partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information sharing</td>
<td>Share information that is both strategic and operational</td>
<td>Share only operational information</td>
</tr>
<tr>
<td></td>
<td>Have multiple communication levels</td>
<td>Maintain a single contact for the transaction</td>
</tr>
<tr>
<td>Technology utilization</td>
<td>Success is often based on improving supply chain performance through such technology as EDI</td>
<td>Requires technology for more tactical applications that are limited in scope</td>
</tr>
<tr>
<td></td>
<td>Technology is more standardized and integrated</td>
<td></td>
</tr>
<tr>
<td>Strategic interface teams</td>
<td>The standard means of making strategic decisions that are complex or large-scale</td>
<td>Will need similar teams for specific tactical issues, but they will not be as encompassing of the entire supply chain</td>
</tr>
<tr>
<td>Joint programs</td>
<td>On-going, long-term joint programs that depend upon each partner’s unique skills</td>
<td>Joint actions only in limited, operational, short-term areas</td>
</tr>
<tr>
<td>Establish joint performance measures</td>
<td>Measures of the total system</td>
<td>More focused on the impact on each firm’s performance</td>
</tr>
</tbody>
</table>

We have to make the remark that the customer-oriented logistics model is a snapshot of the current situation. This means that the outcomes in the subsections below might alter when changes occur at Heinz and/or the customers. The idea is that a strategic partnership is the highest achievable form of a
relationship between Heinz and its customers. But when changes occur (e.g. turnover decreases) strategic partners may become operational partners. Also, current operational partners may become strategic partners when they grow on logistic professionalism or when their turnover at Heinz increases. With regard to the transactional relationships, these might also change when changes are present at the customer.

**Strategic partnerships**
Strategic partnerships should be conducted with customers with both a high share and high logistic professionalism and improvement projects are provided per customer, which are left out in this summary.

**Operational partnerships**
Operational partnerships should be conducted with customers with a high share and a lower logistic professionalism or customers with a low share and a high logistic professionalism. Customers within the operational partnership section should be offered guidance by Heinz in order to develop them to grow on logistic professionalism. Improvement projects are provided per customer, which are left out in this summary.

**Transactional relationships**
This concerns a group of customers which are small and are not well developed on a logistical level (Figure 4.1). These customers also have more specific wishes. This group of customers should be accepted as they are. Improvement projects are provided per customer, which are left out in this summary.

**Combining Logistics & Sales vision**
It is important to understand that the Logistic vision should match the Sales vision, so some alterations in the group formations are made by combining the visions, but this is left out in this summary.

**Topics during logistical meetings**
Topics of the logistical meetings on a regular basis between Heinz Logistics and the logistics department of the customer:

- Discuss the five criteria of ‘logistic professionalism’:
  - Information sharing
    - About optimal order behavior
    - About current handling
    - About changes at the customer
    - About possible new wishes/needs of the customer
  - ICT-standardization
    - SCC-labels
    - DESADV-messages
    - Other standardization possibilities
  - Ordering method
    - Possible changes
- Offer to help customers develop on ‘logistic professionalism’
  - This can be a starting point of becoming a preferred supplier from a logistic point of view

**5.3 Organization of internal relationships**
This is left out in this summary.

**5.4 Conclusion**
In this chapter one aspect of logistic professionalism is clarified, namely the supplier-customer relationship, since this is the most important and the most influenceable aspect. The management of customer-supplier relations is clarified through the concept of interfirm partnering. A constraint for entering any kind of
relationship is that an organization’s internal processes are properly ordered. So first, we explained how Heinz Logistics can take the lead in improving their relationship with other Heinz departments.

Secondly, we described the organization of the external relationships. By combining the customer-oriented logistics model with the vision of Sales, three customer groups were formed:

- Strategic partners
- Operational partners
- Transactional relations

Within every group customer specific improvement projects are proposed and these are briefly discussed. Heinz Logistics can influence the supplier-customer relationship through among others logistical meetings with the customers on a regular basis. We discuss possible topics of such meetings.
6 Conclusions & recommendations

This final chapter describes the conclusions (Section 6.1) and recommendations (Section 6.2) with regard to this research’ topic: customer-oriented logistics. In addition, some implications for future research are highlighted in Section 6.3.

6.1 Conclusions

Since 2009 Heinz Logistics is going through a change process. Its current cost focus cannot be at the expense of the service quality. Logistics has to become a more value added service. This means that it is very important for Logistics to become and be viewed as a value adding function, instead of a cost center.

At this moment the work process regarding customer logistics can be defined as being reactive. To improve their customer relationship and gain competitive advantage, Heinz would like to offer their customers possibly more and other services. For this reason Heinz wants to move from a reactive way of working to a more proactive and responsive way, which is accomplished by setting direction and taking control.

Furthermore, Heinz wants to move from a ‘one size fits all’ to a ‘customized fit’-approach, which can be achieved through developing a customer-oriented logistics model, that provides insight into the customers and their logistics.

Heinz has the ambition to eventually extensively collaborate with various supply chain partners. Heinz wishes to become the logistical preferred supplier at its customers, through applying customer-oriented logistics and working towards a demand driven supply chain.

The above leads to an approach which needs to serve the goal of having satisfied customers and becoming their logistical preferred supplier. It is necessary to achieve more streamlined processes within the supply chain and take into account that the customers have to be supplied in line with an optimal combination of costs, service and sustainability. This results in the research objective below:

Differentiate Heinz’ customers according to their logistic characteristics and develop a customer-oriented logistics approach.

In Chapter 2 we use the necessary literature for describing the current situation and forming the customer-oriented logistics model. Customer-oriented logistics can be applied based on a positioning model we call the customer-oriented logistics model. We propose a model consisting of two axes: logistic professionalism and the customer’s share within Heinz Retail. Logistic professionalism exists of the following five criteria:

- [1] Order method
- [2] Willingness to share information
- [3] The existence of logistic meetings on a regular basis

The position of the customers within the model provides insight into how customer-oriented logistics can be implemented at Heinz. This is explained by the organization of internal and external relationships. For the internal relationships, we show how Heinz Logistics can take the lead in improving their relationship with other Heinz departments. For the external relationships, we combined the customer-oriented logistics model with the vision of Sales and in this way, three customer groups were formed:

- Strategic partners
- Operational partners
- Transactional relations
For every group, customer specific improvement projects are proposed, which are shown in the next sections: the recommendations.

6.2 Recommendations
This section provides the recommendations to reach the objective to introduce customer-oriented logistics. These are left out in this summary.

6.3 Further research
Although this study is about the start up of customer-oriented logistics, there are some points for further research, e.g.:

- This research project was conducted for Heinz’ Retail Customers, but the same type of research could also be conducted for its Food Service customers.
- There are several options for improving the Customer Service Level:
  - ABC-classification, in which A contains the top five to ten percent of the assortment, B the next fifty percent and C the rest of the assortment.
  - Prioritizing the customers, so dividing products weighted according to the customers’ size or define a few main customers which have the priority over other customers
- The ETAS bonus system could be altered, but the details are left out in this summary.
Glossary

Co-packers  Co-packers manufacture and package foods for other companies to sell. The co-packer may function only as a packer of other people’s products or may be in business with his own product line. They may be, in fact, manufacturing several competing products (Rushing, 2010).

CSL  Customer Service Level

Customer Service Level  The fill rate service level: the percentage volume that can be immediately delivered form stock

DESADV  Despatch Advice

ECR  Efficient Consumer Response: has been developed in the 1990s as a joint trade and industry body in the grocery sector. The vision of ECR Europe, ‘Working together to fulfill consumer wishes better, faster and at less cost’, is driving this unique initiative by suppliers, distributors and retailers that claims to provide European consumers with the best possible value, service and variety of products through a collaborative approach to improving the supply chain (Fernie & Sparks, 2009).

EDI  Electronic Data Interchange

Forward buying  Forward buying occurs when retailers purchase units during a particular period, hold some of them in inventory, and then sell them in subsequent periods. Conventional wisdom in marketing suggests that retailer forward buying is a consequence of trade promotions that end up helping the retailer but hurting the manufacturer (Desai et al., 2010).

GCI  Global Commerce Initiative: a voluntary body created in 1999 by manufacturers, retailers and sponsors (Trade Industry Associations, regional ECR initiatives, the Voluntary Inter-industry Commerce Solutions Association and standard bodies) to improve the performance of the international supply chain for consumer goods through the collaborative development and endorsement of recommended standards and key business processes (GCI, 2010).

SSCC  Serial Shipping Container Code

VAL  Value Added Logistics

Value Added Logistics  Complementary services that are added to a product during the logistic process, like packaging, repacking, labeling, pricing and assembling
References

Books and papers

Websites
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