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## Services Marketing Mix Efforts of a Global Services Brand: The Case of DHL Logistics

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### Abstract

The purpose of this study is identifying the services marketing mix (7Ps- product/service, place, promotion, price, people, processes and physical evidence) decisions of a logistics company. The significance of services marketing mix on creating a logistics services brand has received little attention in the literature. In this paper, the case of a global brand, DHL Logistics is presented. Case study was conducted by using secondary data obtained from DHL Logistics' reports and by conducting semi-constructed interviews with DHL Logistics' executives and employees. Due to the reputation and operations of the company, this framework will act as a guideline for the other alike companies. The marketing mix decisions made by DHL Logistics affect both B2B and B2C customers' brand perceptions and enhance the brand equity of DHL Logistics.

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### 1. Introduction

Even though the academic researches that focus on traditional marketing mix constitute the majority, in the last decade a stream of researching the topic “services marketing mix” has emerged. Marketing mix tools hold an

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important place for actualizing marketing and positioning strategies. Traditional marketing mix, 4Ps, is made up of four components namely product, place, promotion, and price, constitute the marketing mix (Borden, 1953; McCarthy, 1964; Aghaei et al., 2013). In 1995, Rafiq and Ahmed extended the concept of 4Ps to 7Ps, namely product, place, promotion, price, physical evidence, processes and people, for services industry.

Marketing tools and strategies of firms are being shaped in accordance with their positioning decisions. Hence, management of a firm's decisions on components of marketing mix occupy an important place for actualizing positioning purposes. Positioning covers decisions and activities intended to create a concept of the firms' product in the minds of customers (Ferrell, 1997). Lamb, Daniel, and McDaniel (2004) explains positioning as a process of developing a marketing mix in order to influence customers' perception of a product line, brand or organization in general.

Marketing strategies hold an important place for logistics service providers since logistics firms play a vital for companies in gaining competitive advantage and cost efficiency, risk-sharing, freeing up resources, and accessing to resources that are not available at one's own organization (Green et al., 2008). However, there exists numerous logistics companies offering similar services. Additionally, according to Porter's five forces of competition framework, logistics companies are in a disadvantageous position since the industry contains high threat of entry, high intensity of rivalry, medium level of substitution risk, medium to high level of bargaining power of buyers and medium level of bargaining power of suppliers (Manatayev, 2004). Hence, for logistics service providers, marketing efforts have a significant influence on changing their disadvantageous position into a more advantageous position. In this paper, the marketing efforts of DHL Logistics, an important player in the industry, are being analysed.

## **2. Importance of Marketing Mix in Services Industry**

4Ps of the marketing mix, described as "the holy quadruple of the marketing faith written in tablets of stone" by Kent (1986), is a conceptual framework that identifies the decisions made by managers in configuring companies' offerings to meet consumers' needs (Goi, 2009). Positioning decisions and usage of marketing mix tools constitute a byzantine. Decisions and activities that aim to create a concept of the firm's product/services in the minds of customers, constitute positioning of the firm (Ferrell, 1997).

In services industry, marketing mix efforts hold an important place for positioning. As for logistics services industry, there exists thousands of logistics companies offering similar services. However, most of the companies prefer to work with a small number of logistics service providers that have good brand reputation or image (Baker, 1984; Fuller et al., 1993; Gordon, 2003; Marquardt et al., 2011). Hence, the logistics companies have begun to realize the impact of marketing efforts.

## **3. Methodology**

In this paper, a case-study approach is implemented in order to analyse services marketing mix efforts of a global logistics service provider, Deutsche Post DHL. Using a combination of semi-structured interviews and secondary data analysis enabled us to actualize the aim of uncovering taken actions and decisions regarding to services marketing mix.

Five semi-constructed interviews were done with DHL Logistics' executives and employees including air freight supervisor, sales territory manager, global air commercial center specialist, corporate communication manager and human resource specialist. Each interview lasted around 40 minutes. The interviews were done by two of the researchers and the themes of the interviews were determined as positioning, brand image, pricing, service quality, promotion, service attributes, service processes, place-service supply chain, physical evidence and people. As for the secondary data analysis, DHL marketing reports were analyzed.

## 4. Findings

### 4.1. Product (Service) Strategy

For Logistics sector, in which DHL performs, it is crucial to provide different alternatives according to the variety of products which are to be transported. DHL Logistics aims offering variety of service options to its customers with 5 divisions, namely DHL Express, DHL Global Forwarding, DHL Freight, DHL Supply Chain and DHL Global Mail. DHL Express, one of the largest air carrier of the world, offers urgent documents and goods transportation to its customers while DHL Global Forwarding division offers air, ocean, rail and road freight options to its customers in addition to warehousing and distribution opportunities. Freight division of the company supplies road and rail freight with LTL (less than truck load), FTL (full truck load) and intermodal services options and DHL Supply Chain provides warehousing, managed-transport and value-added services. Ultimately, DHL Global Mail division offers customized mail and B2C parcel shipments.

Customers may take advantage of standardized, traditional or specially-designed freight options. Since DHL aims to build long-term partnerships and provide wide range of transportation options, the company provides diverse industry sector solutions targeting different fields such as aerospace, automotive, chemical, consumer, fashion, healthcare, retail, technology, manufacturing and renewable energy. There also exists standardized service options; nevertheless, they can be customized according to specific demands of the clients. Aside from industry solutions and specially-designed programs, the firm develops flexible standardized service options.

The characteristics of the goods shipped, delivery lead times and criticality of the freight to ultimate consumers are the main factors in service type determination. For instance, the logistics processes of cars are different from chemicals and medications, not only in terms of lead times but also the way of carriage and warehousing (i.e. temperature-controlled freight, cold storage).

### 4.2. Price Strategy

For standardized freight services, DHL Logistics prefers implementing cost plus pricing strategy which covers deciding on final price by adding a percentage to costs as a profit margin. In accordance with the state of the market, if needed, DHL Logistics implements competition pricing strategy and sets the final price in comparison with its competitors. Additionally, since channel members set different prices for different destinations, the price of the provided transportation service differs in accordance with the distance of the destination.

For customized services, prices are relatively high when compared with standardized transportation services provided by the company. In other words, company implements premium pricing strategy for specially-designed service options. Nonetheless, via special contracts, DHL offers special prices to its loyal customers and the most important companies of the market.

### 4.3. Promotion Strategy

DHL usually prefers introducing its service offerings through television advertisements. Additionally, DHL holds several sponsorship deals with some of the most exclusive worldwide events such as Rugby World Cup, Formula 1, IMG Fashion Week, Manchester United, Barclays Premiere League and Gewandhaus Orchestra. These sponsorships are carefully selected by DHL with the intention of reflecting the values of the company. For instance, the reason behind being sponsor of IMG Fashion Week is given as the relationship between DHL's motto "Tailor made" and fashion industry.

Advertising through mass media and traditional manners is complemented by public relations, with the purpose of generating a positive image of a company in the market and society preferably through editorial text (Gummesson, 2007). In this order, DHL also shows its presence with social responsibility projects such as "Go Green". With slogan "Good For The Environment & Good For Business", company strives to provide carbon efficiency performance guideline and diminish the possible environmental harms created by logistics industry.

#### 4.4. Place Strategy

DHL has numerous branches all around the world in addition to its own DHL Network of Express Logistics Centers (8 DHL-operated and -managed facilities located worldwide). DHL's "globally centralized points of distribution" increases the company's efficiency. DHL has 850 terminals, warehouses and offices located in approximately 150 territories. Express conducts its operations in more than 220 countries and territories with a fleet of more than 250 aircraft. DHL Global Forwarding division provides distribution opportunity in more than 150 countries and territories and freight division of the company offers service options in excess of 50 countries and territories and in excess of 180 terminals. Supply Chain division offers service options approximately in 60 countries and territories and has 2590 warehouses, terminals and offices all around the world. Finally, DHL Global Mail has 32 sales offices, 26 processing centers on 5 continents with direct connections in more than 200 countries.

Regarding the selection criteria of distribution channel members, DHL selects channel members based on several criteria such as service quality, costs and equipments/facilities. Some customer freights may require special equipment and carriage. For instance, when perishable goods such as chemicals or food are transported, shipping firms which offer cold options are selected, or to ship hazardous materials, those airlines that have authorization of hazardous material transportation are chosen. It can be said that the most significant expectation of DHL from its channel members is meeting promised requirements.

#### 4.5. Physical Evidence

Components of physical layout such as odors, colors, temperature, noise level, and comfort of furnishings may influence the perceived performance of service provider (Bitner, 1990). Organizations operating in services industry should emphasize on physical evidence when establishing service standards, because the tangible evidence and the attitude of the customer specifies the ultimate quality of the service experience (Yelkur, 2000). Besides, before buying the service, customers judge a service by the tangible clues that surround it (Yelkur, 2000).

Since corporate identity is reinforced by logos and symbols, DHL uses its widely-known logo, red DHL writing on a yellow-colored-base, and yellow color on its trucks, packaging materials and buildings. Moreover, company attaches great importance to the design of its website, brochures, business cards and even invoices. They all have carefully selected designs and reflect DHL's brand identity with yellow logo and the name of the company written in red.

For employees working at internal operation departments, there exists no dress code due to the reason that they are not directly communicating with customers. Since company believes that lack of a strict dress code for these employees increase their performance, employees working at internal operations departments are able to dress in business casual style. However, employees who are working at sales, operations, and human resources departments and employees who are involved in customer visits are obliged to obey written dress code.

#### 4.6. People

At DHL, personnel training is a very crucial aspect. Before starting to work for DHL, every employee of DHL have to attend to the New Employee Orientation Program that aims introducing all products of DHL to employees and developing their communication skills. In addition to new employee orientation, all of the beginner employees are obliged to receive training of Code of Conduct, Policy of Information Assurance, Adaptation to Competition and Fight Against Corruption within first three months. Separately, all employees receive trainings, which are related with their departments, i.e. MS Office, communication techniques, multidimensional leadership etc. Moreover, since the company uses a SAP based IT program, all of the employees get training regarding the usage of Interallia system. It should also be noted that additional department-based trainings are being arranged in accordance with needs of departments such as sales, product, customer relations and operation.

#### 4.7. Processes

DHL pays attention to the integration of computer programs for measuring customer satisfaction and being able to inform customers about processes. Through the medium of Soft Trans program, the company measures duration of cargo handling. Problems regarding cargo handling are being measured via questionnaires in certain time periods. Complaints and customer opinions are being recorded routinely. Received complaints are being categorized according to related subtitles and the company endeavors to develop solutions to satisfy customers' demands as fast as possible in order to prevent customer losses. In a similar vein, I-sell program is being used for keeping records of customer visits and sales reports.

DHL Logistics provides diversified customer service strategies based on the type of customer. For instance, DHL offers 7/24/365 customer service for specific industries such as aerospace industry in which the delivery is being done within business hours. Based on the emergency, different delivery options can be preferred by different industries.

For recovering any encountered operational problem, DHL undertakes additional costs in order to relief and maintain customer loyalty. Every occurred problem is being recorded into the system and customers are being informed about the solution process. Through this system, they can track the status of the freight or the stage of solution process. Even it's a customer's fault, DHL tries to solve the problem as soon as possible with the lowest additional cost reflected to the customer. If a problem occurs after DHL delivers its clients' freight to the air freight service provider, company opens a claim and for any occurred damage or loss, legal process that is stated in the back of the bill of lading is followed with the carrier.

## 5. Conclusion

The services marketing mix has an incontrovertible importance for creating a mental picture of intangible products, in other words services. In a similar vein, when logistics sector's disadvantageous position in Porter's Five Forces of Competition Model is considered, it is ought to emphasize the importance of positioning decisions and marketing mix efforts for logistics service providers. Due to the reputation and global operations of Deutsche Post DHL, the developed framework in this paper will act as a guideline for the other alike companies. For further research, customer side can also be considered and customer satisfaction can be measured via surveys.

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