Power in third-party logistics relationships

Master’s thesis

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Abstract

The logistics outsourcing industry develops and grows constantly. Companies choose to engage in different kinds of relationships ranging from short-term transaction oriented to long-term collaborative relationships. Companies entering into relationships can be different in terms of power, therefore creating a power or dependence asymmetry.

The relationships marketing literature generally acknowledge that power can influence the relationships in different ways such as through trust and commitment. Often the negative effects of power on relationships are discussed in the literature. Another perspective on power was presented by Davis & Mentzer (2006), which suggests that power can influence the relationships through service quality in B2B relationships. However, the issue of power in the context of third-party logistics has not received a substantial attention in the literature.

Service quality is an important aspect of logistics services and therefore it is important to investigate the factors that can influence it. Therefore, this thesis will address the issue of power specifically, power influence on service quality, loyalty and relationships in the context of third party logistics.

This thesis focuses on development of the theoretical foundation that can be used in future research to empirically investigate the issues of power. As a result of this thesis the theoretical framework and hypotheses have been developed. This thesis provides a first step towards answering the proposed research question by focusing on the theory.
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Abbreviation used in the text: TPL- third party logistics; TCE- transaction cost economy; B2B- Business to Business; IT-information the technology.

1 Introduction

In the modern highly competitive market in order to retain customers and to create customer loyalty, companies need to offer superior services or products. The same is true for the logistics outsourcing industry where services are sold and purchased. (Chapman, Soosay, & Kandampully, 2003)

High service quality standards are closely linked with loyalty. Understanding of what insures quality is crucial to achieving the desired service quality levels and overall success of a company. (Jari Juga, Jouni Juntunen, & David B. Grant, 2010)

This thesis was inspired by the research done by Davis and Mentzer (2006). The research focuses on investigating the effects that dependence asymmetry has on loyalty in dyadic relationships between customers and suppliers in the supply chain. This study explores the issue of dependency and how it influences the dyadic relationships. (Davis & Mentzer, 2006)

Literature on marketing and service management provides the extensive research on topics of loyalty, relationships, customer satisfaction, service quality and power. These topics are applicable to B2B contexts in varies industries as documented in the following works. (Caruana, 2002; Day, 2000; Dick & Basu, 1994; Gustafsson, Johnson, & Roos, 2005; Kumar, 1996; Parasuraman, Zeithaml, & Berry, 1985) The Logistics outsourcing literature, similarly, provides studies on customer satisfaction, loyalty and service quality. (Jari Juga, Jouni Juntunen, & David B. Grant, 2010; Mentzer, Flint, & Kent, 1999; Sharma, Grewal, & Levy, 1995; Stank, Goldsby, Vickery, & Savitskie, 2003) However, there appears to be a gap in the knowledge of service quality, satisfaction and loyalty in
the context of the third-part logistics dyad under the setting of power inequality. (Davis & Mentzer, 2006)

The issue of power and dependence asymmetry in B2B relationships has attracted the attention of scholars as it plays an important role in the relationships between business partners. However, the theoretical field is divided on those who believe that power has a negative effect on the B2B relationships, those who believe that power has the potential to positively influence relationships and those who do not consider power to be an issue in B2B relationships. (Hingley, 2005)

In the logistics service business environment, often companies start alliances with partners that possess greater power on the market that could be expressed in terms of dependency. Whether that power presents on the side of the customer or the provider of the service, power inequality often has an effect on the relationships between partners. (Kumar, Scheer, & Steenkamp, 1995a) According to the results of the research conducted by Davis and Mentzer (2006) power has proven to affect the relationships between partners in the supply chain context. The authors point out that it would be interesting to apply the question of the logistics service quality and dependence asymmetry to the setting of different industries. (Davis & Mentzer, 2006) Therefore, it would be interesting to investigate this subject, specifically the effects that unbalanced power relationships in the TPL dyad has on customer perceived service quality and subsequently customer loyalty.

The focus of this study will be on the power asymmetric relationships between the TPL service provider and its customer which is different from the study of Davis and Mentzer (2006) where supplier-buyer relationships were examined. Furthermore, the specificity of the TPL service provider-customer relationships is different from that of supplier-buyer relationships in that the TPL operates to deliver services to its customer. In order to retain customer the TPL service provider has to shape the service according to customer needs regardless of the power distribution. Nevertheless, power can play an important role in the relationships.
It is the goal of this research to examine specifically the effects that power has on relationships between the TPL and its customer. Therefore, this paper using qualitative data collection techniques will try to examine the question of loyalty, service quality, customer and provider’s expectations within the TPL unequal power relationships.

1.1 Problem formulation, research question and objectives of the research

Outsourcing of logistic services has become a common practice among businesses. Logistics outsourcing is a fast growing service sector in developed countries. An ever growing number of companies in order to follow their strategic objectives make decisions to outsource their supply chain operation to third-party logistics service providers. Striving to minimize costs and obtain benefits businesses turn to logistics outsourcing. (Bagchi & Virum, 1996)

Skjoett-Larsen (2000), points out that while arranging for a third party to perform certain logistics activities is not new to the market, it is only in recent years that the nature of such arrangements became more strategy oriented. Unlike in the past the outsourcing drivers no longer focused primarily on the cost considerations, the opportunities of the outsourcing are no longer limited to cost savings. Market share expansion, higher service levels and the ability to better meet customer needs are the new determining factors that along with cost considerations can influence the outsourcing decision. (Skjoett-Larsen, 2000) Such strategic partnerships often called logistics alliances. (Bagchi & Virum, 1998)

Third-party logistics providers are evolving to offer wider selection of services. Third-party logistics activities can range from simple warehouse and transportation, to more complex and integrated logistics activities. Outsourcing arrangements can differ with respect to the complexity of services offerings, degree of integration between parties, long-term vs. short-term relationships and contractual vs. non-contractual agreements. (Frankel & Whipple, 1996; Leahy & Murphy, 1995; Murphy & Poist, 1998)
As the logistics outsourcing market grows the competition among third-party logistics provider’s rises. To win the completion the TPL service provider has to offer high level of service which include not only the operational performance excellence but also the relational aspect of service quality. (Stank et al., 2003) To obtain customer loyalty and withstand the competition, building strong and trustworthy relationships often is necessary. However not all B2B relationships are equal and close relationships are not always needed. (Day, 2000; Ganesan, 1994)

Relationships between customer and third-party logistics provider can vary with respect to complexity of integration and service activities performed. Different types of TPL providers offer different types of services and models for partnerships.

There are four different types of the TPLs identified. (Prockl, Pflaum, & Kotzab, 2012) “Conventional Plus” is more property oriented and asset based, it performs basic logistics and warehousing activities. “Cherry Pickers” are mainly knowledge based, for instance they offer IT solutions. “Service factory” operates with higher efficiency due to greater number of customers, it does not require closer relationships with its customers and, therefore, service offering aims at cost reduction for an outsourcing party.

Another form of the TPL service providers is called “3PL Lernstatt”. It undertakes management of the customer’s logistic processes. The “3PL Lernstatt” type of TPL service providers are more knowledge based rather than asset based. The specificity of the service offering require “3PL Lernstatt” service providers to engage in closer relationships with its customers which leads to more complex structure of services and higher degree of integration in outsourcing relationships. Due to the nature of such relationships “3PL Lernstatt” service providers have to focus on customization of the service offerings to suit the needs of their customers. (Prockl et al., 2012)

In order to better customize the service offerings and delivery methods third-party logistics providers have to understand customer’s needs and expectations. Understanding customer needs will enable companies to shape service offerings more effectively; better
utilize their competences and resources; and navigate through the relationship building process ultimately achieving a sustainable competitive advantage. (Stank et al., 2003)

This research will specifically focus on the certain type of third-party logistics providers namely “3Pl Lernshtatt” (Prockl et al., 2012). This type of TPL is chosen because it engages in closer relationships where more complex services are offered and customization is important. As partnerships are often formed with power imbalance in such relationships power can have influence on customer as well as the TPL service provider. It is important to investigate how in that particular situation, service quality and loyalty is influenced as well as how power influence customer’s expectations and providers perception on customer’s expectations. Therefore, it becomes important to know how the power asymmetry influences relationships which in turn will allow the TPL service providers to understand their customer better and therefore offer better services.

Companies form partnerships and often times the power in such partnerships are not distributed evenly, often one party is more powerful than another. How that power imbalance impacts the relationships is the question of this research.

Through understanding how power influences customers and providers view on the loyalty and service quality, it will be possible to answer the following research question.

**How does power inequality in TPL outsourcing relationships impact loyalty through influencing customer service quality expectations and provider’s perception on customer’s service quality expectations?**

The objective of this research is to contribute to the research question by utilizing literature review through developing theoretical framework and build a hypothesis. This thesis does not aim to provide an empirical testing of the proposed hypothesis rather aims to provide a theoretical basis, for future empirical investigation.
2 Methodology

This section will introduce the methodology used in this research. The methodology section will also explain why this particular design strategy was chosen and how it will be applied in the thesis to answer the research question. Additionally, this section will discuss the philosophical reasoning and approach used in this research. Furthermore, the methodological consideration regarding future research will be discussed.

2.1 Research methodology and approach

The research methodology can take many different forms therefore it is important to define the methodology used in this research. This chapter will introduce and explain the chosen research methodology for this thesis as well as suggestion for future research.

The identified research problem proposed in this thesis implies that an empirical investigation could be conducted to investigate the problem addresses in this research. Such an empirical investigation should consist of a theoretical section and empirical sections. Due to the several considerations such as theory, time and resource limitation this research has chosen to focus on the theoretical part of the broader research. By focusing on the first part of the empirical research this thesis will build a solid theoretical foundation that can be used to facilitate future empirical research.

This thesis will focus on developing a theoretical framework that will outline the relationships between theoretical constructs that are relevant to the problem of this research. Based on the developed theoretical framework this thesis will provide hypotheses that could be tested empirically in the future research.

The following sections of the methodology will discuss the choice of philosophy and approach that are used in this thesis as well as the choices of strategy, methods and time horizons. Additionally, this chapter will touch up on the hypothesis and literature review practical considerations.
2.1.2. Philosophy of science and approach

The way the knowledge is approached can have a great effect on the development and outcome of the research. Therefore it is important to have a clear understanding of the way the knowledge is seen by the researcher. The research philosophy is generally concerned with how the world is viewed and how the knowledge is perceived. The research philosophy also dictates which strategy and methods in the study should be used. (Saunders, 2007)

There are several research philosophies that propose different way to approach the process of development of knowledge. Each research philosophy is better suited for certain types of research and favor particular research strategies and methodologies. The way the knowledge will be produced corresponds to a particular philosophy; therefore, the researcher can adopt an appropriate philosophy that fits the researcher’s assumption about the world. (Saunders, 2007)

Positivism, Realism and Interpretivism are the most prominent research philosophies. Positivism takes its beginning from the natural science; it assumes the external existence of the world; has an objective view on world and reality and deals with observable facts. According to Positivism view the research should be value-free and approached objectively; it sees the researcher as an uninvolved, independent observer that analyzes the research and has no influence on data. (Saunders, 2007)

For a researcher who chooses to adopt philosophy of Positivism this would mean that the facts that the researcher observes about the world are objective because the researcher has no influence on them; therefore, creating a research that is value-free. The basic assumption behind this reasoning is that by observing the external facts that are free from researcher’s influence it is possible to create and objective value-free research that could be possible to replicate by another researcher using the same philosophical reasoning. (Blumberg, Cooper & Schindler, 2008)
In contrast to Positivism that applies the principles of natural since in research, Interpretivism argues that to investigate the complex phenomena of the social world, a different from natural science philosophical approach is needed. The third major research philosophy is Realism; it falls in-between the opposing philosophies of Positivism and Interpretivism consequently it incorporates some aspects of both philosophies. (Blumberg, 2008)

This research chooses to adopt the Positivism research philosophy therefore it adopts the notion that the observable facts are external and therefore objective. This translates in the researcher being separate form the subject of observation allowing for objective analysis of the facts and therefore producing an unbiased knowledge. This means that as researcher has no relation to the field studied, there is no personnel connection to the subject; hence there is no influence on the way the facts are interpreted.

The Positivistic philosophy defines certain research methodologies; specifically it favors deductive approach over inductive approach and quantitative data collection methods over qualitative. However, it is also possible to choose qualitative methods within the Positivistic research methodology or the combination of qualitative and quantitative methods (multiple methods) of data collection (see Figure 1). (Saunders, 2007)

**Multiple methods**

![Multiple methods](image)

Figure 1: Author’s own creation inspired by Saunders et al., (2007)

Following the research philosophy layer according to the Saunders et al., (2007) the second layer is the approach layer. There are two main approaches used in scientific research such as deduction and induction. The choice of approach influences the design
of the research; the research approach or reasoning will determine the way the theory will be represented in the research. (Saunders, 2007)

Deduction approach or reasoning is commonly used in the natural science; it is concerned with proving casual relationships between variables and draws a conclusion. It applies existing theories to create a hypothesis and tests it by using collected data. The quantitative measurement methods are often used in the research following deduction reasoning. (Blumberg, 2008)

Induction reasoning is different from deduction in that it aims to explain why certain phenomena occur; and it aims to get a better understanding of the nature of the problem. Following the induction reasoning conclusion aims to give only a possible explanation of the problem based on the available evidence. Unlike Deduction that uses the existing theory to build the hypotheses the Induction aims to investigate the problem empirically and infer the theory from results of the empirical investigation. Qualitative data collection techniques are commonly used in Induction. It is also possible to apply Induction and Deduction in the research together. (Saunders, 2007)

This thesis within the Positivistic methodology will follow a deductive approach which will allow developing a theoretical foundation for further empirical testing. The application of this approach is believed to be the most appropriate for this research. While the exact theoretical knowledge addressing the problem proposed in this research is lacking in the literature, there are several related theories that in combination can be used to investigate the research problem.

The deductive approach suggests that based on the existing theory the hypothesis should be developed and tested empirically to answer the research question. (Saunders, 2007) Therefore within the scope of this thesis the development of theoretical framework and hypotheses will be the focus of this research leaving out the empirical testing for future research.
Another consideration for choosing a deductive approach is that the research following a deductive approach seeks to find out whether a particular phenomenon takes place rather looking for a reason for phenomenon.

**2.1.3 Methodological consideration for future research**

This thesis is chosen to follow the Positivistic philosophical rezoning and applies deductive approach to the research; therefore, this choice implies certain directions for future follow-up empirical investigation. Specifically, the choice of philosophy and approach will suggest the kinds of strategy and methods that could be applied.

Following Positivistic research methodology in social science often means using quantitative methods for data collection applying, for example questionnaires. However, it is also possible to utilize qualitative data collection techniques such as semi-structured interviews, focus groups and case studies. Such data collection techniques represent the survey research strategy. According to Saunders et al., (2007) the survey research strategy is often used in the descriptive and exploratory research; it is also commonly applied in the Deductive approach. A study following the survey research strategy can use quantitative data collection techniques, for example, questionnaires and structured interviews as well as qualitative data collection techniques such as observations and semi-structured interviews.

It is also possible to use multiple methods following Positivistic research methodology. (Saunders, 2007) For example, surveys could be combined with semi-structured interviews to reinforce the reliability and validity of the data, similarly two qualitative methods could be used such as focus groups and semi-structured interview.
To test the hypothesis proposed in this thesis it is possible to utilize both qualitative and quantitative data collection techniques either exclusively or in combination with each other. For example, the series of semi-structured interview with management level respondents of TPL service providers and TPL customers could be conducted.

Generally, semi-structured interviews are applied in the exploratory and explanatory research when research seeks to get a better understanding of the phenomenon or to find casual relationships between variables. This type of interview allows for: asking open ended question, having closer relationships with the interview participant, receiving broader answers on questions, creating a less formal atmosphere and getting greater flexibility to the modification of interview questions to fit the situation. (Saunders, 2007) Therefore, this type of data collection technique will allow receiving deeper understanding of the problem and allow for respondents to give answers more freely in a more relaxed atmosphere in comparison with questionnaires or focus groups.

Social science research offers two kinds of methods for data collection: mono method and multiple methods. Multiple methods refer to a method that allows several variations within qualitative and quantitative data collection techniques as well as corresponding analysis procedures. (see Figure 1) The multiple methods offer following alternatives: multi-method and mixed-method. (Saunders, 2007)

The semi-structured interview method while considered appropriate by this research due to resource and time limitations that can occur is more limited to the number of respondent that can take part in the study. This can create an issue of generalizability. Therefore, using additional method for data collection can address this problem. Ideally, qualitative and quantitative methods could be combined to achieve greater generalizability, to increase validity and in general collect more diverse information about the research problem.
2.2 Developing of hypothesis and the interdisciplinary approach

Following the deductive approach the aim for this thesis is to develop a hypothesis based on the existing theoretical knowledge. To be able to develop a hypothesis within this thesis the choice is to conduct a literature review and according to the result of the literature review create a theoretical framework.

This choice to conduct the literature review was driven by several considerations. Firstly, as mentioned previously there is a lack of existing theory that covers exactly the problem addressed in this research, however there are several theories that could be applied to investigate the research problem. Therefore, it is important to get an overview of existing theories related to the subject of this research to identify the most relevant theories.

The most relevant theories that literature review offers will serve as a basis for creation of the theoretical framework which in turn will help do develop a hypothesis. Additionally the literature review allows searching the existing body of the literature to identify the gaps in the knowledge that relates to the research question.

The literature review consists of the review of literature sources within different areas such as relationships marketing, service quality, logistics service quality and relationships in the logistic and supply chain. Such literature selection is due to the following consideration: the relationships perspective of this thesis suggests that literature that discusses issues of relationships in B2B context should be investigated; while this thesis approaches the overall research problem from relational perspective the specific problem is related to service quality and loyalty therefore the literature review focus should be also on the literature within the service quality area.

Finally, the logistics and supply chain management literature offers a number of studies within relationships and service quality; however it does not exclusively provide all necessary theoretical knowledge that is needed to fulfill the objective of this research, therefore the more general literature on relationships and service is combined with logistics literature on these subjects.
Furthermore, to justify the application of interdisciplinary approach Halldorsson, Kotzab et al., (2007) point out that in logistics research it is often necessary and beneficial to combine varies theoretical perspectives from different areas of knowledge. (Halldorsson, Kotzab, Mikkola, & Skjøtt-Larsen, 2007) Therefore this research is compelled to use the interdisciplinary approach in literature review and the creation of theoretical framework.

3 Thesis problem focus

The following section of the thesis will provide more detailed discussion of research problem and thesis focus.

3.1 The relationships perspective

Logistics outsourcing is a globally growing industry that received a lot of attention in the literature that focuses on various topics related to logistics outsourcing activities. (Bask, 2001; Selviaridis & Spring, 2007) The literature provides theoretical frameworks and models that explain how service quality and loyalty are formed and measured; what influences them; and how they are interrelated. (Dick & Basu, 1994; Oliver, 1999; Parasuraman, Zeithaml, & Berry, 1988) The literature also widely discusses the topic of relationships such as B2B partnerships or alliances, the nature of relationships; the benefits and challenges of relationships. (Day, 2000; Hingley, 2005; Kumar, 2005; Lambert, Emmelhainz, & Gardner, 1996b)

However, the particular topic of power influence on service quality, loyalty and relationships in supply chain has not received substantial attention. (Davis & Mentzer, 2006) It also appears that investigation of this topic is lacking in the context of third-party logistics, specifically how power impacts service quality, loyalty and ultimately relationships between the TPL service provider and its customer.
This study focuses on service quality issues of the TPL industry from the perspective of long-term oriented relationships. While relationship marketing is interested in the relationships between parties in the dyad, its particular interest is the committed, long-term oriented relationships such as partnerships and how these relationships can benefit overall performance of the company. (Damkuvienė & Virvilaitė, 2007)

The relationships marketing literature offers different perspective on factors that influence relationships such as trust, dependency, and the transaction cost economy. (Palmatier, Dant, & Grewal, 2007) It also identifies the customer’s satisfaction with overall service performance as a factor that influences relationships and believes it to be an important element in creation of long-term oriented relationships and promoting customer loyalty. (Anderson, Fornell, & Lehmann, 1994; Berry, 1995; Bolton, Kannan, & Bramlett, 2000)

While trust, commitment and power have been researched in the context of relationships, the service quality construct has been mainly researched with respect to customer loyalty and specifically repurchase loyalty or behavioral loyalty. (Bloemer, de Ruyter, & Wetzels, 1999; Caruana, 2002; Cronin Jr., Brady, & Hult, 2000; Jari Juga et al., 2010)

However, Venetis and Ghauri (2004) indicate that customers of B2B services place a lot of emphasis on the satisfaction with service quality along with trust in the relationships. Therefore, service quality is one of the antecedents of relationships quality; and consequently the factors that influence service quality consequently influence the whole relationships. However, according to the authors there is little empirical research existing that attempts to study the linkage between service quality and long-term oriented relationships. (Venetis & Ghauri, 2004)

Intuitively it could be inferred that trust and power are the factors that affect relationships as suggested by the research. (Dwyer & Walker Jr., 1981; Emerson, 1962; Hingley, 2005) It is hard to argue that any relationships will fall apart if the product or
service that is of interest to the customer does not satisfy the demands of the customer especially over a long period of time. Therefore, logically, service quality is an integral part of relationship quality and is an important consideration in achieving long-term, strong relationships.

The power or dependency issue as discussed in the relationships marketing literature is one of the several factors that can significantly influence relationships. The literature indicates that power can impact relationships negatively; at the same time power can be used to enhance the relational bonds between partners. (Hingley, 2005) Selviaridis and Spring (2007) identify the issue of power distribution in the relationships to be the one of the factors influencing the success of partnerships or alliances in the third-party logistics outsourcing.

Davis and Mentzer (2006) indicate that power can influence service quality perceptions of both customer and provider resulting in higher or lower levels of provided service quality. According to the research, power also has shown to influence how parties understand the nature of loyalty. Consequently, following Venetis et al., (2004), power through influence on service quality has an impact on how long-term oriented relationship will be developed and, therefore, is an important consideration in achieving of desired relationships.

Thus, this thesis aims to contribute to the investigation on whether and how power influences the service quality and ultimately relationships in the TPL dyad by conducting the first stage of bigger research with the focus on theory.

The logistics industry compiles the number of large and small companies already operating on the market and a number of new companies entering the market every year. Thus, there is great chance for the logistics dyad to form between a users and providers of different sizes creating power imbalanced relationships. For example, the provider can be a larger company that has a number of customers while a focal company may not be a large account for its service provider. This situation reflects the power imbalance in favor of the provider.
On the other hand, the focal firm can be a critical account for its service provider whether because the provider is a smaller firm or because the focal firm is the major or one of the major accounts for the provider. In this situation the provider is highly interested in its customer and loosing this customer could be detrimental for that provider. Therefore, this situation reflects the power imbalance in favor of the customer. It has to be noted that power can be more evenly distributed which creates the mutual dependency and dependence symmetry (Lusch & Brown, 1996). However, such power distribution is not the topic of this research and therefore this thesis focuses on the issues of service quality in power imbalanced relationships.

3.2 The “3pl-Lernstatt” focus

Companies operating within logistics service industry offer variety of logistics options for their customers. The literature suggests that depending on the types of services offered, the relationships can vary from more short-term oriented transactional relationships to more long-term oriented integrated relationships. (Prockl et al., 2012) For example, the logistics operators, which offer solely basic logistics services such as warehousing or transportation (Andersson & Norrman, 2002) may not be interested in the developing of the long-term relationships much like their customers. The reasons for that could be that such relationships require greater investments of time and recourses from both parties; such relationships are associated with risks, as well as increasing switching costs, which can make it difficult for the customer to change providers.

Therefore, it is critical to build an appropriate form of relationships that will fit the specific profiles of the contracting firms. (Lambert, Emmelhainz, & Gardner, 1999) As mentioned by Day (2000) it is not always in the best interest of the companies to develop long-term integrated relationships.
On the other hand, the logistics providers and their customers that cooperate on the basis of more complex logistics activities such as, the development and management of the entire logistics function of the customer are more likely to be interested in developing the long-term, strong relationships that will require greater investment of resources from both parties. (Prockl et al., 2012)

This suggests that the many factors that influence the development of long-term relationships may not be as important to the “arm’s length” relationships and therefore are mostly of interest in the development of long-term oriented relationships.

As mentioned earlier TPL outsourcing arrangements can vary. Prockl et al., (2012) classify third-party logistics services focusing on the degree of integration with the customer and competences available to provider (see Figure 2).

![Matrix of capabilities for 3PL-Services](image)

**Figure 2:** “Matrix of capabilities for 3PL-Services” (Prockl et al., 2012, p. 6)

In accordance with proposed matrix the authors, identify four business models that logistics service providers can utilize (Prockl et al., 2012, p. 7) : “Conventional Plus”, “Cherry Pickers”, “Service factory”, “Service Lernstatt”. These models differ with
respect to service offering complexity, degree of interaction with its customer; strategic orientation and asset specificity (see Figure 3).

Figure 3: “3pl matrix” Own creation inspired by (Prockl et al., 2012, p. 6)

To be able to provided more complex types of logistics services a company may need to engage in closer more integrated relationships to facilitate for example, the implementation of sophisticated IT solutions or knowledge sharing. Such relationships between parties often involve time, knowledge and monetary investments from both sides of TPL dyad. (Prockl et al., 2012)

This thesis focuses on the relationships between third-party logistics provider and its customer that gravitate towards “Service Lernstatt” business model. Logistics service providers that follow this model due to specificity of the services offered require closer collaboration with its customer than logistics providers that offer more basic services.

“Lernshtatt” TPL providers have a greater chance to develop strong long-term relationships with its customer because of the nature of the TPL activities that requires closer work with its customer. This long-term orientation in the relationships can also
bring mutual benefits of long-term oriented relationships, for example, shared risks and organizational learning. (Prockl et al., 2012)

As long-term orientation in relationships is believed to benefit both parties, consequently the creation of such relationships becomes an important goal for providers and users of logistics services especially so for TPL type “3PL Lernstatt” and their customers. Thus, this thesis chooses to focus on this type of the third-party logistics providers in investigating service quality issues of power unbalanced relationships.

TPL’s that operate to offer sophisticated services that customize its service offerings and service delivery to address the needs and expectations of its customers. (Hertz, Alfredsson 2003) To be able to customize services and provide desirable levels of service the knowledge and understanding of customer is inherently important as well as understanding of what influences service quality. Therefore, the objective of this thesis is to develop a theoretical framework and hypotheses that will help to investigate how power influences service quality and ultimately relationships between TPL types “3PL Lernstatt” and its customer.

To address the problem of this research paper it is important to get an overview of the overall theoretical knowledge presented in the academic field that is relevant to the research problem. The literature review is needed to be able to better understand the problem and be able to create a theoretical foundation for future research. Through conducting a literature review it will be possible to identify relevant theoretical perspectives that will act as a basis for developing theoretical framework and hypothesis. Another goal of literature research is to show whether literature provides studies that address the problem raised in this thesis or address similar problems.

As discussed above this research focuses on the issues of B2B service quality from the perspective of long-term oriented relationships, specifically power impact on service
quality in TPL relationships. The research question of this thesis suggests the following areas of focus that cover more general theories as well as logistics theories:

- power, which falls under discussion of relationships and presented in relationships marketing literature;
- service quality, service perception that generally discussed in the service literature;
- loyalty that is wildly discussed in the service literature as well as relationships marketing literature;
- relationships that are particularly discussed in the relationships marketing literature.

Therefore the literature review will focus on following areas: power, service quality, loyalty and relationships; service quality and loyalty in logistics; and relationships in logistics.

4 Literature review

The following section will present a literature review. The purpose of this literature review is to give a brief overview of main theoretical concepts that are relevant to the research question raised in the introduction chapter. The literature review will include following parts:

- Relationships and power discussion
- Service quality and loyalty discussion.

Each part will constitute of the literature review that includes the more general theory as well as more specific theory related to third party logistics which is the focus of this paper. The summary of each section as well as literature review tables summarizing
articles that influenced on the development of the theoretical framework and hypotheses will be provided.

4.1 Literature review methodology

The literature review utilizes the following literature search strategy. Emerald database and Businesses Source Complete database were chosen as a primarily source of secondary data. The Business source complete and Emerald databases was selected because these databases hold a great variety of high quality academic articles that cover a number of topics related to business studies.

Within these databases the standard search stragy has been applied. With impute of previous studies conducted on the topic of the research question the key words have been identified. Additionally, relevant literature had been used to identify most relevant key words.

Using Thesaurus and Boolean tools the search yielded a number of articles that had to be further refined. Several filters had been applied to select relevant literature. The time frame had been assign to the search to limit literature search to specific time period. Additionally, subject search and publication search had been applied for further delimitation.

From obtained body of articles the most relevant have been selected by searching titles and abstracts for specific key word combination using databases advanced search tool. Further refining for relevance had been conducted by reading tittles and abstracts. The final number of articles has been picked on the basis of citation frequency. Therefore the literature review includes the number of articles that has been frequently cited, had been published in the journals relevant to the field and found in the Emerald and Business source compete databases.
This strategy has been chosen because it allows for capturing a wide body of literature published in the field of the interest. It also allows for selecting the most relevant articles to the topic of this research and allows for finer refinement of literature material.

4.2 Relationships and Power

This section of the literature review will focus on the topics of relationships marketing, power and B2B relationships in the logistics. To facilitate easier navigation through the literature review section there are a number of titles positioned throughout the text.

4.2.1 Relationship marketing

This section of the literature review will briefly discuss the topic of relationship marketing. It will give a short introduction to the relationship marketing concept as well as give an overview of main theoretical development on the issue of relationships.

The definition of relationship marketing and what the relationship marketing focuses on

The topic of relationship marketing received a lot of attention in the literature in the past decades. (Berry, 1995) In 1983 Berry, L.L. for the first time uses term “Relationship marketing”. In his paper also called “Relationship Marketing” discussing relationships he puts emphasis on the customer retention importance and offers five main strategic approaches. He proposes that companies can achieve customer retention by implementing five strategies that specifically focus on the core competences of the firm such as customization of product or service; differentiation from competitors through
adds on to the main product or service; and use of price incentives. (From Berry 1983, reprinted in (Berry, 2002))

Almost two decades later Berry (2002) gives commentary to his earlier work and while he supports the findings of the initial research he acknowledges that, throughout years, the understanding of relationship marketing has changed and become more complex due to extensive research, information technology development and better understanding of the benefits of applying relationship marketing. He also notices that not all strategies that he proposed are equally needed and some such as price incentives while could be helpful are not a necessity. (Berry, 2002)

Over years a number of definitions of relationship marketing that stress different aspects of the subject had been proposed. The application of the term relationship marketing in different contexts had an impact on understanding and usage of the concept of relationship marketing. (Coviello, Brodie, & Munro, 1997; Gronroos, 1996) However, literature proposes several common characteristics of relationship marketing such as creation of win-win environment; focus on trust and commitment; a shift from transaction mindset to relational mindset; close interaction with partners and long-term orientation. (Gronroos, 1996; Hunt & Morgan, 1994; Sheth & Parvatiyar, 1995)

Gronroos (1996) stresses that relationship marketing focuses on the process of relationships; it goes beyond simple short-term oriented transactions toward more long-term collaborative interaction between partners.

Literature recognizes the importance of relationships. (Day, 2000; Ganesan, 1994) It agrees that without promoting long lasting strong relationships there could be no solid foundation for sustainable competitive advantage and high financial performance of the company. (Berry, 1995; Grönroos, 1994; Morgan & Hunt, 1994) Innovation, organizational learning, flexibility, retention, cost reduction and overall high
performance of the relational exchange are the benefits associated with strong inter-organizational relationships. (Cannon, Achrol, & Gundlach, 2000; Heide & John, 1988; Jap, 1999)

**Power, trust, emotions and other factors that can influence relationships**

While literature supports the existence of the benefits associated with long lasting relationships there seems to be a debate over what influences the relationships. While trying to identify the main development within relationship marketing, specifically what encourages high relational performance; Palmatier, Dant and Grewal (2007) develop a framework that shows the main discussions on the topic of relationship marketing. Their research identifies several prominent views on the antecedents of a successful relational exchange. One of the views focuses on the issues of transaction specific investments and opportunism in discussion of inter-organizational relationships. (Heide & John, 1990; Parkhe, 1993; Wathne & Heide, 2000)

Another view proposes that the dependence and power are what influence the relational performance. (Bucklin & Sengupta, 1993; Hibbard, Kumar, & Stern, 2001) According to other perspectives the relational norms (Lusch & Brown, 1996) can explain the drivers of inter-organizational relationships, while Morgan and Hunt (1994) argue for prevalence of commitment and trust over other factors that encourage successful relationships between companies. (Palmatier et al., 2007)

Similarly, other research attempts to classify the concept of relationship marketing. This research proposes that successful relationships can be achieved through encouraging trust, interdependence, commitment, overall long-term outlook on relationships between actors of relational exchange as well as the importance of considering emotions in relational exchange. (Damkuviene & Virvilaitė, 2007)
For the purpose of this research the literature review will continue the discussion of the main development in the field of relationship marketing with specific focus on the dependency and power issues in business to business context.

4.2.2 Dependency and power in interorganizational relationships

This section will focus on discussing the issues of power and dependency. It will explain the meaning of power in the B2B context and how power affects relationships. It will also talk about the difference between symmetric and asymmetric relationships and when dependence asymmetry occurs.

Defining dependency in the interorganizational relationships

The issues of power and dependence asymmetry have been addressed through a number of studies. Existing research acknowledges that power influences relationships. (J. R. Brown, Lusch, & Nicholson, 1995; Buchanan, 1992; Heide & John, 1988; Lusch & Brown, 1996)

Literature agrees that closer long-term relationships are beneficial for partners in the supply chain and understanding of the dependency issue is important to be able to build and maintain successful lasting relationships. (Buchanan, 1992; Day, 2000)

Power asymmetry or inequality is present if one party is much more dependent on the other party. The dependency of one party on the other translates into the power of the latter party. (Emerson, 1962) Dependency occurs when one party has to continue to engage in relationships with another party to be able to acquire its objectives. (Frazier, 1983) More specifically, “Dependence refers to the need to maintain a relationship to achieve goals.” (Palmatier et al., 2007, p. 175)
Heide and Johan (1988) describe several circumstances when dependency amplifies:

- One party will be more dependent on another when received benefits are extensive and of high significance. Dependence, similarly, occurs when one party is considered to be a large account for another party. For example, a supplier will be dependent on its customer when that customer is considered to be a large and important account. On the other hand, customers will be more dependent on a supplier when the provided service or product is the significant portion of customer’s operations.
- One party will be more dependent on another when the received benefits of having relational exchange outweigh the perceived benefits that could be obtained from another relational exchange. For example, the customer may be more dependent on its supplier when the provided service or product is superior in terms of quality or price to the others options on the market.
- One party will be more dependent on another if there is a limit or lack of alternatives.
- One party will be more dependent on another when switching from one provider to another presents difficulties. (Heide & John, 1988)

While dependency can be mutual and often it is the case in B2B relationships it is the structure of dependency that categorizes power distribution. The more one party is dependent on another in relationships to receive desired benefits the more power the other party holds. (Buchanan, 1992; Emerson, 1962) Understanding of the dependence asymmetric relationships when one party is significantly more dependent than another and interdependent relationships when the dependency is more mutual is important in discussion of the dependency issue. (Gundlach & Cadotte, 1994; Jap, 1999)

*The role of power or dependency in asymmetric vs. symmetric B2B relationships*
Kumar, Sheer and Steenkamp (1995a) suggest that the dependency distribution has an impact on relationships between partners; specifically more symmetric relationships positively impact trust and commitment while more asymmetric relationships tend to negatively affect trust and commitment. Furthermore, another view on power suggests that power can exacerbate the unstable nature of relationships leading to one party exploiting another. (Blois, 1998)

At the same time literature points out that “High, symmetric interdependence is no guarantee that a trusting committed relationship will develop, just as interdependence asymmetry does not irrevocably condemn the partners to ruinous conflict.” (Kumar, Scheer, & Steenkamp, 1995a, p. 353) Following this view Kumar, Sheer and Steenkamp (1995b) argue that the magnitude of interdependency will have an impact on relationships; specifically the increased mutual dependency will enhance trust and collaboration.

While asymmetric power structure of relationships is common (Kumar, 1996), it does not necessarily mean that power would be used to advantage of one of the parties. (Howe, 1998; Ogbonna & Wilkinson, 1996) Power itself does not suggest that mutual trust would be impossible to achieve. Often in dependence asymmetric relationships the more powerful party can obtain trust by exercising fair and just behavior towards its partner. (Kumar, Scheer, & Steenkamp, 1995b)

In the study conducted by Kumar and Sheer et al., (1998) they argue that there is a difference between the power based on dependency and power based on one party’s ability to negatively impact another. In the relationships with high mutual dependence such ability will decrease which will positively affect trust. At the same time with increased ability of both parties to negatively impact each other the trust levels will decrease. (Hibbard et al., 2001; Kumar, Scheer, & Steenkamp, 1998)
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<th>The literature source</th>
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<td>What is dependency or power in relationships?</td>
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<td>Definition of power asymmetry or dependency in relationships.</td>
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Table 1: The summary of the sources on Relationships and Power in interorganizational relationships contributing to the theoretical framework and the hypotheses
3.2.3 Interorganizational relationships in logistics outsourcing context

The following section will provide a literature review on the subject of third-party logistics outsourcing relationships with a focus on partnerships. The literature review will include discussions on definitions of partnerships, benefits, elements of successful partnerships and factors influencing relationships.

A number of studies have been produced within the logistics outsourcing discipline that focus on the issues of interorganizational relationships. A vast majority of studies have been focusing on the issues of partnering, specifically, classification of partnerships, partnerships formation, benefits of alliances, attributes of successful partnerships and implementation. (Bagchi & Virum, 1996; Bowersox, 1990; Boyson, Corsi, Dresner, & Rabinovich, 1999; Lambert, Emmelhainz, & Gardner, 1996a; Murphy & Poist, 2000; Tate, 1996)

**The long-term oriented relationships vs. short-term oriented relationships and logistics partnerships**

The logistics partnerships have been defined in many different ways. Literature distinguishes between traditional outsourcing relationships that involve more function specific activities such as warehousing and more long-term oriented, collaborative relationships such as partnerships or alliances. (Tate, 1996) One definition suggests that a “comprehensive partnership arrangement including a broad or a complete range of products and services on a long-term basis may be called a logistics alliance”. (Bagchi & Virum, 1998, p. 193) Similarly, another study recognizes partnerships as “… any relationship that falls to the right on the continuum, beyond arm's length”. (Gardner, Cooper, & Noordewier, 1994, p. 122)

The particular view of partnerships has been applied to the concept of logistics alliances that encompasses the following elements (Ellram & Hendrick, 1995; Lambert, Emmelhainz, & Gardner, 1996b):
• sharing goals, risks and benefits
• long-term orientation, collaboration and value orientation
• communication and customization

This definition has a common perception of logistics alliances in that it identifies the importance of long-term relationships orientation and a need for closer relationships in order to create a successful partnership and obtain benefits for both sides of the dyad.

An alternative view on third-party logistics partnerships has a different outlook on the main characteristics of partnerships. Specifically it has a lesser focus on long-term orientation and a degree of integration. (Lieb & Randall, 1996) However, literature seems to agree that in the current understanding of interorganizational logistics relationships the alliances and partnerships are categorized by more complex, committed, long-term oriented and integrated relationships. (Hofer, Knemeyer, & Dresner, 2009; Leahy & Murphy, 1995)

The process of formation of logistics partnerships

Understanding how alliances are formed is believed to be an important step in developing comprehensive knowledge that will help to create and sustain successful logistics partnerships. (Bagchi & Virum, 1998)

Research identifies common reasons for creation of logistics partnerships, specifically a need for company reorganization and focus on core competences. (Kanter, 1994) This view is supported by Bagchi and Virum (1998) who identify three stages that logistics alliance undergo and suggest that realization of a need for change in handling logistics functions is what happens at the first stage of the partnership development. These stages are represented in the Figure 4.
On a basis of multiple case studies the following suggestions are offered to facilitate the process of building an alliance (Bagchi & Virum, 1998):

- Identify criteria which will be used to choose a provider;
- Select potential partners;
- Communicate the company’s expectations;
- Analyze and compare all potential providers and choose an optimal option;
- Discuss and plan the ways both companies will engage in building collaborative relationships;
- Establish a solid ground for successful relationships by facilitating communication, information sharing and support;
- Establish performance metrics for accessing the progress;
- Continue to align objectives of both parties and keep communication open.

Similarly, Gardner, Cooper and Noordeweir (1994) developed a model for alliance development and implementation that could be applied after appropriate corporate goals have been established. This model includes elements such as “… (1) choosing a partnership strategy; (2) choosing a partner or partners; (3) designing the partnership; (4) evaluating the partnership; and (5) evaluating the partnership strategy.” (Gardner et al., 1994, p. 136) Model testing provides five elements that support development of
successful partnerships such as “planning, sharing of benefits and burdens, extendedness, systematic operational information exchange, mutual operational controls”. (Gardner et al., 1994, p. 136)

**The benefits and challenges of partnerships**

The literature on interorganizational relationships in third-party logistics context produces a number of studies that define the benefits of alliances. Commonly identified benefits are (Bowersox, 1990; Kanter, 1994):

- knowledge sharing and interorganizational learning;
- innovation and network expansion;
- growth of market share and customer service improvement;
- increased flexibility and opportunity to focus on core competence as well as chances to explore new markets.

Literature provides many studies that focus on examining of benefits associated with partnerships; however, there has been a fewer studies that examine the risks and downfalls of creating logistics alliances. (Lambert et al., 1999) Some studies address this issue and propose that the most common reasons for failed relationships are (Ackerman, 1996; Stuart & McCutcheon, 1995):

- lack of communication and aligning of goals and objectives;
- unrealistic promises and expectations;
- lack of understanding of shared roles in the partnership;
- unfulfilled promises;
- trust issues, cost considerations and managerial incompetence.

Kanter (1994) also proposes that the cultural aspect and difference in managerial styles of two companies can become a barrier to achieving successful partnership; additionally, it could be difficult to establish trust in such relationships. The reasons for that could be that companies are used to a more traditional pattern of behavior in the relationships.
Another consideration is the power asymmetry and a different degree of involvement and investment in the win-win outcome of the partnership. It is important to realize that the whole organization should have an understanding of what needs to be done to sustain successful relationships. The complexity of the partnerships calls for adjustments in management of organizations. (Kanter, 1994)

The importance of choosing the correct type of relationships for successful partnerships

Lambert, Emmelhainz et al., (1999) suggest that not enough research has been done to address the issue of choice of type of relationships, since there are different types of relationships and each is more appropriate to a certain partnership than others. They offer a framework that is called to help to identify which type of relationship is suited for particular circumstances of firm. This framework is designed to help companies with a process of partnership implementation.

This study refers to another work that discusses certain types of relationships that can be formed. Such types of relationships range from less complex, short-term oriented relationships to more complex, collaborative and long-term oriented relationships. (Lambert, Emmelhainz, & Gardner, 1996b) Using this classification authors argue that to create a successful partnership it is important to understand initially the type of relationships that will be best suited for companies’ specific characteristics and requirements. (Lambert et al., 1999)

The authors notice that “Drivers and facilitators only establish the potential for a relationship management; components determine how it is achieved. Even with strong drivers and facilitators, a partnership can still fail if the components are not implemented appropriately. The way in which they are put into place and managed will determine how the partnership operates.” (Lambert et al., 1999, p. 174) Research stresses the importance of planning and controlling of operations by both parties of partnerships, persistent communication, sharing of benefits and risks, focusing on commitment and trust, using contract style, and balancing of investments. (Lambert et al., 1999)
Addressing the issue of relationships management in logistics outsourcing relationship Knemeyer, Corsi and Murphy (2003) applied the relationship marketing theory and identified several factors that are believed to facilitate successful functioning of relationships. The objective of their study was to investigate if the types of relationships identified by Lambert, Emmelhainz, et al., (1996a) (see Figure 5) exist; and to examine how the outcomes and most important relationship marketing elements differ from one type of relationships to another.

The results of the study find that there is a little difference between marketing elements and outcomes in the relationships Types II and III. At the same time this study supports the existence of three types of relationships; however, it acknowledges that distinction between relationships Type I and other types is greater than between Types II and III. Study identifies important elements of successful partnership such as trust, commitment, investment, dependence and shared benefits; along with outcomes such as retention, referral and recovery. (Knemeyer, Corsi, & Murphy, 2003)

**Types of relationships**

![Types of relationships diagram](image)


An earlier study of Leahy and Murphy (1995), which focuses on investigation of factors that impact relationships, revealed that the providers of logistic services have relatively similar understanding of those factors. Based on analysis of surveys of 51 leading third-party logistic providers the two factors were identified by all participants as
most important for successful relationships such as focus on customer and reliability. (Leahy & Murphy, 1995)

Another study by Hofer, Knemeyer and Dresner (2009) examines the processes that make partnerships stronger. The study develops and empirically tests the model that incorporates the firm-specific components such as relationship marketing orientation and past experiences as well as interorganizational conditions such as trust and dependency. Research found that partnering behavior will exhibit five components identified by Gardner et al., (1994) such as planning, systematic operational information exchange, sharing benefits and burdens of the relationship, mutual operating controls, and extendedness. Trust was found to play an important role in the relationships as well as the prior experiences and attitude towards relationships. (Hofer et al., 2009)

While a number of studies addressing the issues of relationships focus on either provider or user perspectives, fewer studies use perspectives of both parties of relational dyad. (Murphy & Poist, 2000) By examining the views of users and providers of logistic services, the study conducted by Murthy and Poist (2000) attempts to answer the following questions:

- How well do the most often provided services match the actually used services?
- What do both parties identify as factors contributing to the successful relationships?
- How satisfied are both parties of the relationship?

This Study revealed that only five out of ten services which are offered by the logistic providers actually match used services. On the other hand, research concluded that users and providers of logistic services have a similar view on the factors that influence successful relationships. Finally they found that users had a relatively lower level of satisfaction with relationships than providers. (Murphy & Poist, 2000) The authors propose that the results of the study have managerial implications such as the need for better understanding of expectations and needs of users as well as better customization of the services and focus on communication. (Murphy & Poist, 2000)
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Table 2: Summary of the literature sources on relationships in logistics contributing to the theoretical framework and the hypotheses
Based on the literature sources discussed in the above section this section will summarize the major points discussed in the previous sections.

The Relationships and power section of literature review discussed the topic of the interorganizational relationships. The topics of relationship marketing; power and dependency; and interorganizational relationships in the logistic outsourcing dyad were the focuses of the literature review discussion.

The relationship marketing literature discusses the issues of relationships and stresses the importance of developing and improving relationships, it suggests that strong relationships positively influence customer retention. The long-term orientation in the relationships is believed to be beneficial for success of both parties. (Day, 2000; Morgan & Hunt, 1994)

Trust, commitment, relational norms, power and opportunism are considered to be important factors that influence relationships. (Heide & John, 1990; Hibbard et al., 2001; Lusch & Brown, 1996; Morgan & Hunt, 1994)

For the purpose of this research the discussed literature review focused on the discussion of power and dependency in the interorganizational relationships.

The reviewed literature sources seems to agree that when one party holds more leverage, the other party has less power and therefore is more dependent. The dependence asymmetry is generally considered as a negative force in the relationship, while mutual dependency or interdependency is considered beneficial for the relationships. It is also argued that the relationships with high levels of interdependency could be more productive than relationships where both parties have low dependency on each other. Another important notion proposes that mutual dependency does not guarantee a positive development of the relationships; much like dependency imbalance
does not suggest that the relationships will be doomed to fail. (T. J. Brown, Churchill Jr., & Peter, 1993; Buchanan, 1992; Heide & John, 1988)

Based on the literature sources presented in the literature review, it appears that the discussion on interorganizational relationships in the third-party logistics context has been centered on several main issues such as classification of partnering relationships, benefits of partnerships or alliances, factors influencing relationships, elements of successful relationships and partnerships formation.

The term partnership and term alliance are defined as long-term oriented relationships that contain following attributes (Ellram & Cooper, 1990; Hofer et al., 2009; Lambert, Emmelhainz, & Gardner, 1996b):

- trust
- commitment
- information sharing
- risks and rewards sharing
- joint planning and control
- balanced investment and involvement

Such relationships are believed to have certain benefits for third-party logistics, for example (Bagchi & Virum, 1996; Bowersox, 1990; Tate, 1996):

- innovation
- shared risks
- customer service excellence
- flexibility
- market share growth and overall success of the company

The main drivers for considering logistic partnerships are associated with a need for reorganization and a focus on core competences. Literature also suggests that the choice of the partner is a very important step towards successful relationships; it is also important to understand what type of relationships will fit the best for the specific requirements of the company. (Bagchi & Virum, 1996; Kanter, 1994)
4.3 Service quality, satisfaction and Loyalty

This section of the literature review will discuss the issues of service quality, satisfaction and loyalty. The discussion will include literature on a more general theory as well as literature covering a more specific theory related to logistics.

4.3.1 Service quality concepts, models and measurements

The quality concept first was applied with perspective on products; however, the importance of quality in relation to services was also recognized. The quality theory from product perspective did not fit the needs of services so it had to be changed to accommodate the specific nature of services. (Berry, Zeithaml, & Parasuraman, 1985; Parasuraman et al., 1985)

Characterization of service quality

Parasuraman, Zeithamal and Berry (1985) and (1988) note that the service quality concept is vague and difficult to define. They stress the complexity of the service quality construct that is categorizes by “…intangibility of services, heterogeneity, and inseparability”. (Parasuraman et al., 1985, p. 42)

Service evaluation is more subjective and cannot be approached in the same manner as products, which suggests that consumer’s perception of service quality should be assessed in order to measure service quality. Authors argue that the consumer when judging service quality relies on their perception which is subjective and therefore can vary from one person to another. (Parasuraman et al., 1988)
According to their interpretation service quality is “…a global judgment, or attitude, relating to the superiority of the service”. (Parasuraman et al., 1988, p. 16) Parasuraman et al., (1985) and (1988) argue that the consumer compares the expectations of service with the perception of received service to evaluate service quality. Their definition of service quality focuses on perceived quality and describes it as “…a form of attitude, related but not equivalent to satisfaction, and results from a comparison of expectations with perceptions of performance.” (Parasuraman et al., 1988, p. 13)

Similarly, an earlier study by Gronroos (1984) expresses a view on the relationships between expectation and perception of quality. The author argues that evaluation of service quality results from comparison of expected service to perceived service.

**Influencing factors of service quality**

Literature provides several different models of service quality that focuses on its different aspects such as how service quality can be measured and how consumers view service quality. (Buttle, 1996; Cronin Jr. & Taylor, 1992; Cronin Jr. & Taylor, 1994; Gronroos, 1984; Parasuraman, Berry, & Zeithaml, 1991; Parasuraman, Zeithaml, & Berry, 1994)

Gronroos (1984) offers a service quality model that incorporates several elements of service quality such as technical quality, image quality and functional quality. Research describes technical quality as the type of quality that the consumer receives and uses in evaluation process. The functional quality referred to the processes of service delivery and also has impact on perceived service quality. Finally, the image quality of the firm is an important aspect and is heavily influenced by functional quality and technical quality. (Gronroos, 1984)

In line with Gronroos (1984), Parasuraman, Zeithaml and Berry (1985) propose a conceptual model of service quality that supports the notion that service quality
evaluation from consumer side is associated with comparison of expected service with perceived service forming perceived service quality. As an outcome of the exploratory investigation research produced a service quality model that incorporates five gaps that were revealed by the study. (see Figure 6)

![Service quality model](image)


Research found that mismatch between certain variables of service delivery can impact service quality. According to Parasuraman, Zeithamal and Berry (1985) a
mismatch between consumer’s expectation of service and provider’s understanding of consumer needs and wants effects consumer’s judgment of service quality. Such mismatches are often called Gap 1. Gap 2 arises when the service that company can deliver does not confirm with company perception of customer expectations. That mismatch will impact consumer perceived service quality. Gap 3 arises when a company cannot deliver a service quality that matches its’ own standards impacts the service quality perception of the consumer. The consumer’s perception of service quality can be affected by misleading or incorrect information provided by the company. Such miss communication creates Gap 4. The difference between customer’s expected service and customer’s perceived service will influence the service quality. This difference is influenced by four gaps mentioned above and is called Gap 5. (Parasuraman et al., 1985)

**Attributes of service quality in the service quality assessment**

Parasuraman and others together with five gaps model proposed that evaluation of service quality on the consumer side is associated with several characteristics of service called “Determinants of service quality”. (Parasuraman et al., 1985, p. 47) This research proposed the following service quality determinants that are used by consumer in evaluation of services (Parasuraman et al., 1985, p. 47):

- Reliability
- Responsiveness
- Competence
- Access
- Courtesy
- Communication
- Credibility
- Security
- Understanding/knowing the customer
- Tangibles
The expectation and perceptions in the evaluation of service quality

Parasuraman et al., (1985) support the notion that service quality judgment is directly affected by difference between expected service and actually received service. The lesser the difference between the two the higher the levels of perceived service quality will be. Additionally, research confirms the previous suggestions (Gronroos, 1984; Grönroos, 1994) that service quality evaluation is different from that of product and that the process of service delivery is also evaluated by consumer along with actual received service. Research also found that in evaluation of service quality the prior experience of the consumer will have an impact on quality perception. (Parasuraman et al., 1985)

Another study proposes a theoretical model that explains the influence of perception of service on overall evaluation of service. (Bolton & Drew, 1991) The proposed model incorporates the concepts of value, satisfaction and service quality; and shows what influence perceived service quality and service value. Additionally, it explains how satisfaction is affected by conformation or disconfirmation to expectations. It also suggests that satisfaction affects service quality evaluation and service value. (Bolton & Drew, 1991)

In line with Parasuraman et al., (1895) this study supports the notion that consumer judgment of service quality relies on the difference between expected service and perceived service. Research also found that service quality could be directly affected by perceived performance. (Bolton & Drew, 1991)

This study proposes that the service value is positively related to service quality and notices that the assessment of overall service quality can depend more on perception of service value than on perception of service quality. The authors suggest that further investigation of the concept of value is needed as well as further research addressing issue of what influences service quality and satisfaction. (Bolton & Drew, 1991)

The measurement models of service quality
To ensure high service quality standards it is critical for service firms to be able to measure service quality. (Parasuraman et al., 1988) To address this issue the literature proposes several service quality measurement models. The following service quality measurement models the SERVQUAL and SERVPERF have received a lot of attention in the literature as well as becoming a reason for a debate over which model better reflects the concept of service quality and its measurements. (Buttle, 1996)

Based on the finding of Parasuraman, Zeithaml and Berry (1985) that suggests ten evaluative dimensions of service quality consumers are used to assess quality; the service quality measurement scale was developed and called SERVQUAL. (Parasuraman et al., 1988) This model focuses on measuring customer perception of service quality across different service dimensions using a multiple-items scale. This model also supports the notion that service quality is the measure of differences between what the consumer expects to receive and what consumer actually receives. (Parasuraman et al., 1985)

The SERVQUAL model offers five elements that can be measured to assess the quality of the services across different industries such as empathy, reliability, responsiveness, tangibles, assurance. (Parasuraman et al., 1988)

In line with Oliver (1988), Parasuraman et al., (1988) stress the distinction of service quality from satisfaction, in that service quality has more evaluative predisposition to overall experience and satisfaction is more focused on the moment of the service encounter. Additionally, they support the view that service quality precedes satisfaction. (Parasuraman et al., 1988)

Parasuraman, Zeithamal and Berry (1991) conducted follow up empirical research that tests the SERVQUAL model for reliability and validity; and reevaluated the wording of the multiple-item scale. Study also examined the findings of the other studies that used SERVQUAL model to measure service quality perception and offered guidelines for future research.

The SERVQUAL model has been widely used in the academic field and practice to investigate the issues of service quality and measure it. (Jain & Gupta, 2004)
Several critical studies were published that raised concerns over SERVQUAL measurement accuracy; conceptualization of service quality and expectation; and relationships between service quality and satisfaction constructs. (Cronin Jr. & Taylor, 1992; Cronin Jr. & Taylor, 1994; Teas, 1993; Teas, 1994)

Cronin and Taylor (1992) argue that SERVQUAL model does not provide a reliable measurement method and offer an alternative model called SERVPERF. These authors argue that the SERVPERF model is superior and provides better measurements for service quality. Cronin et al., (1992) critique the conceptualization of service quality as a perception based construct and suggest that service quality should be approached as an attitudinal construct.

These authors investigate the relationships between satisfaction and service quality; they examine whether service quality precedes satisfaction. The results of this study supports the view that service quality influence satisfaction. They acknowledge that further research is needed to investigate the relationships between these two constructs. Additionally, they suggest that while both constructs have shown to have close relationships with purchase intentions, the satisfaction construct appear to have greater influence on consumer purchase intentions. (Cronin Jr. & Taylor, 1992)

The SERVPERF model focuses on evaluating performance of service only, rather than assessing expectations and actual received service together. (Caruana, 2002) The SERVPERF model has been used in the measuring service quality and has its supporters.(Jari Juga et al., 2010)

Another critical study has been published by Teas (1993) that raises concerns about service quality concepts as perception- expectation paradigm. Study offers an alternative model of service quality.

Parasuraman, Zeithaml and Berry (1994) reply to the critical review of Cronin et al., (1992) and Teas (1993) with study that address raised concerns about conceptualization of service quality and its measurements. They note that there seems to be a debate in the
literature on the topic of satisfaction and its relation to service quality, specifically whether service quality precedes customer satisfaction or if customer satisfaction precedes service quality. (Parasuraman et al., 1994) This publication was replied with follow-up studies. (Cronin Jr. & Taylor, 1994; Taylor & Baker, 1994)

**How to ensure service quality**

Zeithaml, Berry and Parasuraman (1988) distinguish several factors that influence service quality through the impact on the management side gaps of service proposed by Parasuraman et al., (1985). The research found that communication and management control plays an important role in insuring high service quality levels; and well established communication with employees will positively influence ability to fulfill their roles; while control from management side will ensure proper execution of the assigned roles. (Zeithaml, Berry, & Parasuraman, 1988)

Another study focuses on the issue of customers switching to other service providers. (Reichheld & Sasser Jr., 1990) These authors argue that to be able to manage service failures in a way that serves the company’s advantage, it is important to keep track of the customers who leave the company and go to competitors. Understanding of the reasons for the service failures will help the firm to make the necessary changes to improve service quality. Reichheld et al., (1990) stresses that customers who switched to another service provider are a valuable source of information about service’s weak spots and that information should be utilized to the company’s advantage.

**Service quality vs. satisfaction constructs**

The service quality literature offers a perspective on satisfaction as a distinct construct that follows service quality and influences consumer behavioral intentions. (Taylor & Baker, 1994) However, earlier satisfaction literature suggests that satisfaction is an
evaluative construct that is categorizes by expectation-disconfirmation paradigm and precedes service quality. (OLIVER, 1980)

The latter research proposes a different perspective on the concept of satisfaction. Anderson and Sullivan (1993) conduct an empirical research and find that satisfaction is affected by perceived service quality. Additionally research suggests that when service quality did not meet expectations it had greater effect on satisfaction than when service quality met expectations. Research also proposes that satisfaction positively influence customers’ repurchase behavior. (Anderson & Sullivan, 1993)

A later study by Anderson, Fornell and Lehmann (1994) investigated the effects of perceived quality on satisfaction and how satisfaction influences a company’s success. Research suggests that improving quality will positively influence satisfaction which intern will increase customers repurchase rates. They also note that while satisfaction increases profitability, the effects often are observable over a period of time. Therefore it is important for companies to maintain high levels of customer satisfaction.

This research concurs with Anderson et al., (1993) that expectations play an important role in the formation of customer satisfaction. The disconfirmation of expectations can heavily impact satisfaction. They suggest that expectation can have great effect on company’s image which is critical for sustainable success. (Anderson et al., 1994)

Service quality has been positively linked to loyalty through satisfaction (Caruana, 2002). However, the concepts of service quality and satisfaction have been often used interchangeably in the practical field despite the academic findings (Olsen, 2002) suggesting that service quality influence satisfaction and therefore are two separate concepts. (Jari Juga et al., 2010)

4.3.2 Expectations and the zone of tolerance

In the literature on satisfaction and quality the customers’ expectations are often described as a reference point for customer against which a received service is compared and evaluation of quality is drawn. (Ziethaml, Berry, & Parasuraman, 1993)
Customer’s service quality assessment heavily depends on customer’s initial expectations of service. Service quality is described as the degree of conformation between expected service and received service. (Parasuraman et al., 1985)

Satisfaction and quality literature approach the concept of expectations from different perspectives. The discussion of satisfaction focuses on the expectation as a prediction of service level to be received in the future. (Oliver, 1981) On the other hand, when discussing the perceived service quality, expectations are referred as an ideal standard against which the service is compared. (Oliver, 1981; Parasuraman et al., 1985) However, there is a common understanding in the satisfaction and service literature of the concept of expectation that suggests that expectations are involved in comparative evaluation of service. (Ziethaml et al., 1993)

The customer’s zone of tolerance as the range of acceptable service

To understand the underlined processes that forms and influences expectation Zeithaml et al., (1993) investigated the concept of expectations. Research proposes a model called “The zone of tolerance”, which suggests that expectations can vary depend on the different influencing factors.

Zeithaml et al., (1993) proposes that the range within which customer will perceive service as being acceptable is called the zone of tolerance. It represents the area between higher and lower levels of acceptable service quality of customer. When service quality is at a higher level this is referred to as desired service. Desired service is described as the level of service performance that the customer’s wishes to receive. (Ziethaml et al., 1993)

The lower level is called adequate service. Adequate service represents the lower acceptable threshold of expectation below which the service quality will be unacceptable for a customer. As service quality differs from one provider to another or even within the same company it is the variation of service quality that customers are willing to tolerate that is called the zone of tolerance. (Ziethaml et al., 1993)
When provided service exceeds the upper level of the zone of tolerance than the customer may be highly satisfied. On the other end of the spectrum, if provided service does not reach the lower level of zone of tolerance than customer will perceive service quality as poor. Beyond the upper and lower thresholds of zone of tolerance is where customer is really affected by service quality positively or negatively. (Zeithaml et al., 1993)

The zone of tolerance can also vary across different service dimension. (Parasuraman, Berry, & Zeithaml, 1993) The service dimensions that perceived by customer to be the most important will tend to have narrower zone of tolerance meaning the difference between desired level of service and adequate level of service will be smaller. For less important to customer service dimensions the tolerance zone will tend to become wider allowing greater variance between levels of service. (Zeithaml et al., 1993)

**Power influence on expectations in B2B relationships**

Zeithaml et al., (1993) suggest that customer’s zone of tolerance can expand and contract. The changes are mostly associated with changes in adequate level of service while the desired level of service is less affected.

The above discussed research by Zeithaml et al., (1993) focuses mainly on the consumer to business relationships; however, Davis and Mentzer (2006) explored this topic in the context of the supply chain and confirmed that in business to business relationships there is a similar situation. They discovered that depending on the picture of the asymmetric relationships, customers’ expectations may vary. The authors proposed that according to the power structure in the relationships between supplier and customer expectation of service quality can change which affect the zone of tolerance.

Setting customer expectations is an important step in service delivery process. Through communication it is possible to help customer to form appropriate expectations of service that will match the capabilities of the provider of goods or services. (Parasuraman et al., 1985; Sharma et al., 1995) Other factors can also influence customer’s expectations such as reputation of the provider, word-of-mouth, prior
experiences; and the way companies perceive themselves and their partners form power perspective. (Davis & Mentzer, 2006)

4.3.3 Service Loyalty and its relationships with service quality

While the issues of service loyalty, service quality and satisfaction have been important topics for discussion, there has been less focus on literature containing the linkage between these constructs. (Caruana, 2002) However, in latter research dedicated to exploring relationships between these constructs service quality has been considered an important antecedent of customer loyalty. (Chumpitaz & Nicholas, 2004; Jari Juga et al., 2010; Kandampully, 1998; Olsen, 2002; Rauyruen & Miller, 2007; Saura, Servera Francés, Berenguer Contrí, & Blasco, 2008)

The earlier discussion of service loyalty has been approaching this topic from the behavioral perspective. The repeat purchase behavior was the main focus of the studies. However, latter studies recognize the complex nature of the loyalty construct and indentify several dimensions of loyalty such as behavioral, attitudinal and cognitive. (Berger & Mitchell, 1989; Dick & Basu, 1994; Ko, Wetzels, & Josée Bloemer, 1998)

While literature provides studies that research the impact that service quality has on customer repurchase behavior (Cronin Jr. & Taylor, 1992), Zeithaml, Berry and Parasuraman (1996) note that there needs to be more research done to investigate factors influencing loyalty as well as loyalty impact on profitability.

The relationships between service quality and loyalty

Zeithaml et al., (1996) investigate the relationships between service quality, customer’s repurchase behavior and firm’s profits and proposed a conceptual model. The conceptual
model suggests that customer’s loyalty is directly influenced by the level of service quality offered by the firm. The satisfactory service quality seems to encourage customer loyalty while unsatisfactory service quality seems to have negative impact on customer loyalty. Loyalty is found to have positive effect on companies’ profitability.

On the basis of the analysis of the survey data research concluded that customers are more likely to remain loyal if the service quality is satisfactory. On the other hand research found that when service quality is low the customers are more likely to switch to another service provider. Research also found support for the notion that service quality has impact on firm profits through customer’s behavioral intentions, suggesting that by focusing on keeping its customers company can positively impact its profitability. (Zeithaml, Berry, & Parasuraman, 1996)

Another study points out that further research is needed to investigate the concept of loyalty and how loyalty relates to service quality. Study notes that previous conceptualizations of loyalty lack generalizability and more of cross-industries studies should be completed. The proposed study focuses on the investigating of how perceived service quality influences service loyalty and how industry specificity reflects on customer loyalty. (Ko et al., 1998)

Research proposes that there is a relationship between perceived service quality and several dimensions of service loyalty such as dissatisfaction response, price indifference and preference loyalty. The perceived service quality is found to have positive relationships with price indifference and preference loyalty, while there were no relationships found between perceived service quality and dissatisfaction response. Additionally, research found that with respect to industry context the perceived service quality will have different degree of influence on service loyalty. Moreover, study proposes that depending on the industry context when switching costs are high the customer is more likely to stay loyal to the current service provider, in contrast low switching costs have negative impact on loyalty. (Ko et al., 1998)
These findings suggest that the customer that is satisfied with service quality will be less price sensitive and will be more likely to stay even if alternative services are available. Customer that perceive service quality as high are less likely to engage in complaint behavior and more likely to refer the company to others. (Ko et al., 1998)

**Other factors influencing loyalty**

Pritchard, Haviz and Hovard (1999) propose another approach to understanding the antecedents of customer loyalty. Their research is focusing on the commitment construct and describe it a resistance to change. The authors argue that understanding of the loyalty should not be limited to satisfaction conformation/disconfirmation paradigm and that commitment can play a great role in the development of customer loyalty. This study approaches the commitment as related but not identical construct to loyalty. Research provides a measurement scale that is designed to help management to identify truly loyal customers that shape their purchase intentions based on the conscious decisions and not simply out of a habit. (Pritchard, Havitz, & Howard, 1999)

Fullerton (2003) further investigates the construct of commitment and its effects on loyalty. This study discusses two types of commitment *affective* and *continuous*. (Allen & Meyer, 1990) The authors argue that it's important to understand the distinction between these two types.

This research found that when a customer exhibits an *affective* commitment which categorizes by customers positive predisposition toward service provider, it will positively influence customer loyalty and promote positive word of mouth and referrals. On the other hand, *continuous* commitment may not result in customer loyalty because such commitment is categorized by a lack of alternatives and high switching barriers. (Fullerton, 2003)

The results of the study suggest that in order for companies to develop customer loyalty they should focus on increasing customer’s *affective* commitment through developing emotional bonds with customers. (Fullerton, 2003)
Satisfaction as an influencing factor on loyalty

Oliver (1999) examines the relationships between satisfaction and loyalty. He argues that while the satisfaction-loyalty link is established in the literature, further examination of satisfaction and loyalty relationships is needed. The research proposes that having high levels of customer satisfaction does not guarantee customer loyalty, therefore other factors have to be taken into consideration such as consumers’ ability to resist the competitors, social involvement with the focal firm and superior characteristics of the product. Additionally, the study argues that it is more attainable and effective to focus on the customer satisfaction levels than on customer loyalty levels in measuring company’s progress. (Oliver, 1999)

Another study examines the relationships between service quality, service value, satisfaction and behavioral intentions in service industry context. (Cronin Jr. et al., 2000) The authors note that not enough research has been conducted to explore interrelationships between these constructs. Additionally, they suggest that existing models do not adequately reflect the interrelationships between service quality, value and loyalty.

The research proposes a model that depicts how service quality and service value influence loyalty. According to the model service quality can influence loyalty directly and indirectly through service value and satisfaction which is different from all previously developed models. This model is graphically represented in the figure 7. (Cronin Jr. et al., 2000)

The findings of the conducted imperial investigation support the proposed model and suggest that service quality and value influence loyalty directly as well as indirectly. Service quality can influence loyalty through service value and satisfaction. At the same time research found that customer in evaluation of service value greatly relies on service quality which means that in service encounter the service quality specification could be more important for customer than price consideration. Additionally, study argues that
the holistic approach to building customer loyalty should be applied by the management. It is important to focus on improving service quality, service value and satisfaction at the same time because of the indirect effect that service quality has on loyalty. (Cronin Jr. et al., 2000)

![Figure 7: “Research model” Author’s own creation inspired by Cronin et al., (2000), p 198.](image)

Caruana (2002) investigates the effects service quality has on service loyalty through satisfaction. The study confirms the positive relationships between constructs; it argues that it is important to focus on the customer satisfaction in service delivery. Additionally, the study proposes that while service quality is an important antecedent of satisfaction there could be other factors influencing satisfaction that has to be taken into consideration. (Caruana, Money, & Berthon, 2000)
<table>
<thead>
<tr>
<th>Service quality and loyalty</th>
<th>Contribution to the theoretical model and hypotheses</th>
<th>Direct contribution idea</th>
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<tbody>
<tr>
<td>The literature sources</td>
<td>The main point</td>
<td></td>
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<tr>
<td>Parasuraman, A., Zeithaml, V. A., &amp; Berry, L. L. (1985). A conceptual model of service quality and its implications for future research.</td>
<td>Service quality is a comparative construct of expectations and perceived service quality. Expectations play a critical role in service quality judgment. Service quality can be influenced by many variable. GAP model shows what can influence service quality.</td>
<td>yes</td>
</tr>
<tr>
<td>Groenroos, C. (1984). A service quality model and its marketing implications.</td>
<td>Customer’s expectations can vary. The service quality that is acceptable to the customer lies within the borders of the zone of tolerance. Service above and beyond the zone of tolerance can be unsatisfactory or very satisfactory. The zone of tolerance can contract and expand depending on the expectations.</td>
<td>yes</td>
</tr>
<tr>
<td>Bolton, R. N., &amp; Drew, J. H. (1991). A multistage model of customers' assessments of service quality and value.</td>
<td>Two scales focusing on measuring service quality. SERVQUAL measure service quality across several attributes of service quality. Expectations are compared to performance. The SERVPERF scale focuses on assessing the performance only.</td>
<td>yes</td>
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3.3.4 Service quality, satisfaction and loyalty in third-party logistics literature

Logistics literature addresses the issue of service quality and its measurements through a limited number of studies; moreover, it appears to be even fewer studies that discuss the issues of service quality, satisfaction and loyalty in the context of third-party logistics relationships. (Jari Juga et al., 2010) Literature raises concerns about the use of traditional models for measuring service quality such as SERVQUAL and argues that specificity of logistic services calls for a development of alternative methods for measurement of logistics service quality. (Bienstock, Mentzer, & Bird, 1997)

The measurement methods of service quality in logistics

This concern is answered through a number of studies that focus on logistic services in supplier-buyer relationships and third-party logistics relationships. (Jari Juga et al., 2010) For example, Bienstock et al., (1997) offer one of such models that focus on logistics-specific service quality dimensions such as condition, timeliness and availability. The research proposes the scale that can be applied as measurement of physical distribution service quality in the industrial setting and supposed to help with managing customers purchase intentions. (Bienstock et al., 1997)

The authors argue that by understanding of how customers perceive service quality and what they value in service delivery, it is then possible to adjust customer loyalty strategies. The research found the linkage between perceived service quality and purchase intentions through customer global judgment, which suggests that higher profitability can be achieved through focus on service quality. (Bienstock et al., 1997)

The study suggests that timeliness and to a lesser extent availability and condition influence customers’ evaluation of service quality of physical distribution. The authors note that it is important to focus on measuring and improving dimensions of service
quality such as timeliness, availability and condition in order to influence customer purchasing intentions. (Bienstock et al., 1997)

Following the proposed model by Breistock et al., (1997), Mentzer, Flint and Kent (1999) extend investigation of the service quality construct in the industrial context. The research offers a nine item scale that represents the specific attributes of logistics service that are valued by customers across different marketing segments. (See figure 8)

The authors suggest that customers of logistic services evaluate service quality across proposed nine attributes; while these attributes reflect various industries examined by the research, further investigation of other industries should be undertaken to create more universal scale of logistics service quality attributes. (Mentzer et al., 1999)

**Logistics service quality**

![Diagram of Logistics Service Quality](image)

Mentzer, Flint and Hult (2001) further explore the logistics quality domain through investigation of the customer valued logistics quality attributes. The research aims to identify whether different marketing segments put more emphasis on certain aspects of the logistics quality; whether the proposed earlier nine attributes of logistics quality (Mentzer et al., 1999) are universal across a spectrum of customer segments; and whether logistics service quality can be categorized as a process that encompasses the proposed attributes.

The results of the study indicate that different attributes of service quality have varying importance to the four tested segments, which suggests that customization of logistics service offerings is needed to better address customer needs. Additionally, the research concludes that logistics service quality should be approaches as a unified process that incorporates different components of logistics service quality. The authors suggest that a holistic approach should be applied to service quality management with particular focus on customer’s specific needs. (Mentzer et al., 2001)

Another research addresses the issues of logistics service quality measurements. (Franceschini & Rafele, 2000) The research matches the identified eight indicators of logistics service quality to SERVQUAL measurement scale, specifically to reliability, tangibles, empathy, responsiveness and assurance. The research additionally proposes that customer’s service quality expectations can evolve throughout time, which suggests that constant reevaluation of service quality standards, should be undertaken. (Franceschini & Rafele, 2000)

Latter study by Rafele (2004) refines the eight attributes of service quality in logistics context and proposes that service evaluation should be focusing on three activities of logistics processes corresponding to SERVQUAL instruments such as information activities, tangible aspects of quality and ways of fulfillment. (See figure 9)
Figure 9: The model represents a comparison between SERVQUAL dimensions and logistics service dimensions. (Rafele, 2004, p. 285)

Grant (2005) proposes a model for measuring logistics service quality that incorporates relational aspects of quality and transactional aspects of quality. The author notes that both aspects of quality contribute to overall satisfaction. However, it is noted that customers often are more concerned with transaction specific attributes of service quality such as price and quality of product or service, while neglect the relational aspects of service quality such as relationship service and relationship quality. Research suggests that a holistic approach should be used to manage the logistics relational exchange. (Grant, 2005)

**The discussion of service quality, satisfaction and loyalty in third-party logistics literature**

A few studies focus on the issues of satisfaction, customer attitudes and purchase behavior in the setting of industrial services. For example, Innis and La Londe (1994) identify a set of service quality indicators and suggest that logistics performance has an impact on customer’s loyalty through customer satisfaction.
Another study proposes the linkage between logistics performance, satisfaction and loyalty. The study identifies two types of performances the relational and operational. According to the research relational performance does not significantly affect loyalty through satisfaction, while operational performance has definite positive relationships with customer satisfaction and loyalty. (Stank, Goldsby, & Vickery, 1999)

The effects of service quality perception on loyalty in the supply chain relationships were recorded by Davis and Mentzer (2006). Study proposes that specific attributes of quality of the logistic services within a supply chain impact customer loyalty. This research also found that both the provider of logistics service and user had similar understanding of important indicators of service performance; however, research found that the suppliers and buyers had different perceptions of what constitute loyalty.

The following discusses a few studies that specifically focus on the issues of service quality, loyalty and satisfaction in the context of third-party logistics. (Rafiq & Jaafar, 2007; Seth, Deshmukh, & Vrat, 2006; Stank et al., 2003)

The third-party logistics research on service quality, satisfaction and loyalty

Rafiq and Jaafar (2007) conduct a research in the context of third-party logistics services. Study aims to validate the previously suggested service quality scale (Mentzer et al., 1999) with specific focus on third-party logistic services. This research builds up on the prior study by Mentzer et al., (1999) which provides a nine items scale of logistics service quality. Unlike the original study that suggests evaluation of quality should be conducted across technical quality attributes, Rafiq et al., (2007) propose that service quality attributes that fall in to the category of functional quality are the most appropriate measurements for logistics outsourcing quality. Such attributes include “personnel contact quality, ordering procedures, order discrepancy handling, information quality and communication quality”. (Rafiq & Jaafar, 2007, p. 168)
Seth, Deshmukh, Vrat (2006) offer another conceptual framework for assessing the quality of third party logistic services within a supply chain. The research applies a SERVQUAL inspired gap analysis methodology to build a model for measuring service quality in the supply chain.

The proposed conceptual model is designed to assist members of the supply chain in making outsourcing decisions; identifying service shortcomings and areas for improvement; and customer relations and benchmarking. The authors note that further research is needed that will develop universal measurement tools that can be applied to the entire supply chain and will adequately address the issue of supply chain’s complexity. (Seth et al., 2006)

Stank, Goldsby, Vickery and Savitskie (2003) in their study address the issues of satisfaction and profitability in third-party logistics relationships. Contrary to their prior research (Stank et al., 1999) that focuses on business-to-business relationships in the food industry, the result of the 2003 study shows that relational performance has a significant effect on market share through satisfaction and loyalty at the same time operational performance and cost performance has only marginal impact on satisfaction and loyalty.(Stank et al., 2003)

Additionally, the study proposes that relational performance outweighs operational performance and cost performance. Results of the research suggest that to influence customer loyalty and profitability organizations should focus on developing strong relational performance while keeping the operational performance at the optimal level. (Stank et al., 2003)
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<th>The main point</th>
<th>Contribution to the theoretical model and hypotheses</th>
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Table 4: Summary of the literature on service quality, satisfaction and loyalty in logistics contributing to the theoretical framework and the hypotheses
4.3.5 Summary

Based on the above reviewed literature sources this section will summarize the major points discussed above.

According to the literature review the concepts of service quality, satisfaction and loyalty received a lot of attention in the aforementioned literature. This literature provides conceptualizations and measurement models to address the issues of service quality. (Cronin Jr. & Taylor, 1992; Parasuraman et al., 1988) One of the most prominent conceptualization of service quality is proposed by Parasuraman et al., (1985) and offers a conceptual model that incorporates service quality gaps.

The literature generally agrees that perceived service quality should be approached as a comparison between the customer’s expectations and perceived service. Similar to this view is the conceptualization of satisfaction that suggests that satisfaction is an evaluative construct that results from the comparison of expectation and received service. However, the literature seems to disagree on the topic of relationships between satisfaction and service quality. (Cronin Jr. & Taylor, 1992; Parasuraman et al., 1994)

Several different attributes of service quality are identified in this literature. Gronroos (1984) proposes the concepts of technical quality and functional quality, while Parasuraman et al., (1985) identifies various dimension of service quality.

Expectations play a central role in the discussion of service quality. Zeithaml et al., (1993) propose the concept of zone of tolerance that explains the nature of expectations.

Service quality and satisfaction are found to be a critical antecedent of customer loyalty. The literature identifies several types of loyalty such as behavioral, attitudinal and cognitive. (Dick & Basu, 1994) Loyalty was found to have positive impact on firm’s profitability and, therefore, the literature focuses on understanding of what influence customer loyalty. Apart from service quality and satisfaction the literature identifies other factors that can influence loyalty such as switching costs, emotional and social bonds, commitment and value. (Cronin Jr. et al., 2000)
The research on third-party logistics and physical distribution provides a number of models and frameworks for measurement of logistics service quality that follows the Prasuraman’s et, al., (1985, 1988) SERVQUAL measurement scale. Studies identify various attributes of service quality specific to logistic services that can serve as indicators of quality. This suggests that by focusing on these attributes of service quality organizations can increase customer’s satisfaction. Discussed literature sources identify several service quality indicators including: information quality, timeliness, availability, relationships quality and condition. (Bienstock et al., 1997; Grant, 2005; Mentzer, Flint, & Hult, 2001; Seth et al., 2006)

According to the literature the topic of relational quality seem to be receiving a growing interest. Relational performance was found to have positive relationships with satisfaction resulting in customer loyalty and increased market share. Generally the reviewed literature agrees that logistics performance positively relates to company’s profitability through satisfaction. At the same time service quality was found to influence customer’s loyalty. (Davis & Mentzer, 2006; Innis & La Londe, 1994; Stank et al., 2003)

5 Theoretical framework

The following figure graphically represents the theoretical framework proposed in this thesis. It shows the relationships between concepts as well as identifies the areas of research problem of this thesis.

This theoretical framework builds up on the theories discussed in the literature review, specifically those that were identified as most relevant and presented on the literature review tables.

In accordance with the relationships marketing literature and service literature the theoretical framework supports the notion that power influence relationships directly as discussed in the Hibbard, Kumar et al., (2001) and indirectly through service quality and loyalty Davis et al., (2006), Venetis and Ghauri (2004) however the latter relationships
has not been broadly researched according to the literature review. Therefore, this particular relationship between power, service quality, loyalty and relationships is identified as the area of research in the presented theoretical framework. Furthermore, literature review revealed that generally literature has divided on those that support the notion that service quality influence loyalty and those that believe that satisfaction is the antecedent of loyalty. (Oliver, 1999; Zeithaml et al., 1996)

The reviewed logistics literature mainly propose the satisfaction as the antecedent of loyalty, however, service quality still viewed as a critical aspect of influencing performance and satisfaction. (Innis & La Londe, 1994) Consequently, this thesis while acknowledges that satisfaction may influence loyalty, chooses to omit satisfaction construct in the theoretical framework. Instead framework focuses on the service quality as factor influencing loyalty following the (Zeithaml et al., 1996).

![Figure 10: Author’s own creation. Theoretical framework](image_url)

The theoretical framework shows the holistic view on the various issues discussed in the literature review. According to the literature review matrix a number of theories support the particular relationships between the constructs presented in the theoretical framework (see Figure 10) However, the relationships between the power and service quality seems to be lacking a sufficient theoretical research. Therefore, the following figure presents the research area of this thesis that focuses on the issue of power and service quality that fits in the overall theoretical framework.

The following figure depicts the research problem area of this thesis in detail.
The following chapter will present the hypotheses that result from the theoretical framework and research problem area.

6 Hypothesis development

The hypothesis building section of this research is based on the literature review, theoretical framework discussed above and the research conducted by Davis and Mentzer (2006) which explores the issues of loyalty, service quality and power in the context of the supply chain.

The literature review suggests that while there is a discussion of the power and dependency in the literature that not enough research has been done to address the issue of power and dependency and its effects on service quality and loyalty in the context of third-party logistics.

Therefore this research aims to investigate the topic of loyalty and service quality in the context of third-party logistics under condition of power inequality. Specifically, this research is interested in how power influences customer’s perception of service quality and how it influence customer loyalty. Through developing and investigating the
hypotheses using existing theoretical knowledge it will be possible to answer the stated research question.

As mentioned previously, the theoretical knowledge on the subject of power influence on customer’s service quality perception and loyalty is lacking in the context of third-party logistics. However, there are a number of studies that covers various aspects of the problem identified by this research. Therefore, it is presumed possible to use interdisciplinary approach to develop the hypotheses.

The literature review discussed in the previous sections contained theories from different fields such as relationship marketing with a focus on power and dependency; the relationship marketing in the logistics context with a focus on partnerships; service quality, satisfaction and loyalty; and service quality and loyalty in the context of logistics services. The selection of used literature was categorized by the intent of this research to bring several disciplines together to satisfy the objectives of this thesis.

Based on the literature reviewed in previous sections this study has a specific perception on several theoretical concepts and constructs relevant to this study. As suggested by the literature review this study uses and understands the term power as a dependency concept. (Heide & John, 1988)

For this study dependency is described in terms of one organization in logistics outsourcing relationships holding greater leverage or power against another. For example, the provider of logistic services could be a large company that has multiple customers and not being completely dependent on focal customer firm. At the same time, the user of the logistic services could be a small account for its service provider and, therefore, does not hold a lot of power. In the reverse situation the customer will hold greater leverage, when customer is a large account and represents a big portion of its service provider’s business. The logistics provider in this situation will heavily depend on its customer and, therefore, will hold less power.
The reviewed literature sources suggest that a lot of attention in the literature is paid to the topic of relationships in the context of third-party logistics and supply chain in general. The literature agrees that strong long lasting relationships are an important component of successful partnerships. (Bagchi & Virum, 1996) It is also proposed that building and maintaining a strong and long-term oriented relationship is a resource and time consuming matter and involves a number of influencing factors. (Davis & Mentzer, 2006; Knemeyer et al., 2003; Lambert et al., 1999) Therefore, it is important for companies to have a better understanding of factors influencing relationships and how to use its resources to navigate through relational exchange process.

According to the literature discussed in previous sections the service quality construct is generally accepted to be a crucial link in the process of the creation of customer loyalty and achieving customer satisfaction. (Caruana, 2002; Cronin Jr. et al., 2000) This notion is supported by the research in logistics context. (Innis & La Londe, 1994; Stank et al., 1999; Stank et al., 2003)

Service quality is believed to play a major role in the formation of customer behavioral loyalty. (Zeithaml et al., 1996) The literature also suggests that service quality evaluation process is generally categorized by the customer comparison of its expectations with the service actually received. This suggests that conformation to customer expectations is the goal of any service company. (Parasuraman et al., 1985; Parasuraman et al., 1988) Therefore knowing what influences customer expectations and how becomes critical in service delivery in order to provide desirable service quality and ensure loyalty and long lasting relationships.

According to Parasuraman et al., (1988) service quality constitutes of several dimensions and has various attributes that are important to the customers. Logistics literature confirms the existence of service quality attributes and identifies attributes service quality specific to logistics services that are important to customers. For
example, Mantzer et al., (1999) proposes nine attributes of logistics service quality. Rafele’s (2004) offers several dimensions of logistics service quality such as information actions, tangible components and ways of fulfillment that corresponds with Parasuraman et al., (1988) dimensions of service quality. These attributes or indicators of service quality can be used to measure quality of logistics services. (Rafele 2004; Mentzer et al., 1999) Therefore, it is critical for logistics service providers to focus on the certain service quality aspects that are perceived by customer as important. This way service organizations can utilize their resources properly and ensure high service quality.

Based on the literature review discussion this thesis assumes the following:

- Service quality as a perception on received service compared to expectations influence customers’ loyalty in third-party logistics context.
- Strong long lasting relationships called partnerships or alliances formed between members of logistics dyad believed to be an important element of successful relational exchange.
- Power has influence on relationships between business organizations.
- Customers of logistic services value specific service quality attributes and dimension more than others.
- Quality of services can be evaluated across these attributes and dimensions.

Literature describes expectation as a complex construct and suggests that expectations can vary. The variance of expectations is called the zone of tolerance which can expand and contract mainly due to the changes in the adequate level of service. (Ziethaml et al., 1993) Davis et al., (2006) propose that one of the reasons for such fluctuations in that the zone of tolerance can be the influence of power in the relationships between members of the supply chain. As discussed above the literature generally supports the view that dependency or power can indeed influence relationships.

Therefore, following Davis et al., (2006) who suggested that power inequality in the supply chain will influence expectations of customer through impact on zone of tolerance, this research hypothesize that in the relationship between third-party logistics provider and its customer the power inequality will have an effect on customer’s service
quality expectations. According to the theoretical framework depicting the existing knowledge power is linked to the perceived service quality on the customer side through customer expectation.

Therefore, hypothesis 1

1.1 In the TPL outsourcing relationships when the power is on the side of the customer, customer will have higher level of adequate service expectations causing the customer’s zone of tolerance to become narrower.

1.2 In the TPL outsourcing relationships when the power is on the side of the provider, the customer will have a lower level of adequate service expectations causing customer’s zone of tolerance to expand.

Parasuraman et al., (1985) proposes a conceptual model that incorporates five gaps associated with service delivery. One of the identified gaps suggests that often the provider of service and the user have different perspective on service quality expectations. Specifically, research reveals that there could be a mismatch between customer’s expectations of service quality and providers view on customer’s expectations, which influences service quality. Therefore, closing this gap is becoming an important step towards superior service quality. To be able to close this gap the provider of service should have a better understanding of its customer.

Davis et al., (2006) propose that under condition of dependence asymmetry providers and users of logistic services in the supply chain can have different perspectives on customer expectations.

The proposed theoretical framework shows that power is linked to the provider’s perception of service expectation.

Hence, this study hypothesizes that in the relationship between a TPL service provider and its customer, the power inequality will have an effect on the provider’s perception of customer’s service quality expectations.

Therefore hypothesis 2
2.1 In the TPL outsourcing relationships when the power is on the side of the customer, the provider will perceive the customer’s expectations of service quality to be greater. The provider will alter its service quality strategy to accommodate the customer’s needs and meet customer’s expectations.

2.2 In the TPL outsourcing relationships when the power is on the side of the provider, the provider will perceive the customer’s expectations of service quality to be lower and will alter its service quality strategy to accommodate the customer’s need and meet customer’s expectations.

The literature sources discussed previously provide several theoretical perspectives on the issues of quality of logistic services and identify different service quality attributes important to customers. For example, timeliness, reliability, interpersonal communication and service failure handling were found to have a major impact on service quality.

The research by Davis et al., (2006) suggest that when supplier and customer engage in loyal relationships, both parties have a similar understanding of the most important attributes of service quality that influence loyalty.

At the same time Davis at al., (2006) research finds that attributes of service quality like personnel communication and responsiveness were very important for customers. The logistics literature, similarly, proposes that relational performance have positive relationships with customer’s satisfaction and loyalty. (Stank et al., 2003) It also suggests that relational aspects of service quality are important to customers and influence loyalty. (Rafiq & Jaafar, 2007)

Hence, this research hypothesizes that those relational aspects of service quality in TPL power unbalanced relationships impact customer’s loyalty.

Therefore hypothesis 3:
Loyalty in the power unequal TPL outsourcing relationships is more influenced by the relational aspects of service quality other than operational aspects of service quality.

The Literature mainly discusses loyalty in terms of behavior and attitude. Loyal customer are expected to exhibit stable repurchase intentions; be less sensitive to price considerations; engage in positive word-of-mouth and referrals; and be more open to development of successful long-term oriented relationships. (Dick & Basu, 1994) Research by Davis et al., (2006) discovered that suppliers and its customers had different understanding of nature of loyalty which could be explained by effects of dependence asymmetry. Therefore, following the notion expressed in the literature that power influence relationships this research proposes the hypothesis 4:

In power unequal relationships customer and TPL provider will have different understanding of what constitutes loyalty.

7 Discussion and conclusion

This chapter will provide a brief summary of the overall outcome of the thesis, reflecting on thesis design, choice of theory and methodology as well as future research. This chapter will also provide concluding remarks as well as outline the thesis’ limitations, originality and contributions.

7.1 Discussion of the thesis outcome

This thesis aims to develop a first phase or basis for further research to investigate the issue of power influences of service quality, loyalty and subsequently relationships in the long-term oriented power asymmetric relationships between the TPL service provider and its customer. The thesis specifically aims to approach this problem by applying a number of theories that discuss perceptions, expectations and service quality and relationships in B2B context. This choice of focus has been made based on the
previously conducted research by Davis and Mentzer (2006) who proposed that power can influence relationships through the effects on customer expectations and the provider’s perception on customer expectations.

As this thesis focuses on developing the theoretical basis for future research, following the positivistic research methodology and deductive approach. According to such research methodology, the thesis proposes hypotheses that can be tested in the future research to address the above mentioned problem. Therefore this thesis does not engage in the empirical testing of the proposed hypothesis leaving it to the future research inquiry, consequently focusing on the theoretical part of the research. However, this thesis offers possible methods for future imperial testing.

This thesis proposes four hypotheses, first hypothesis using the theory of “the zone of tolerance” by Ziethaml et al., (1993), which focuses on the changes of customer’s expectations due to the power influence.

The second hypothesis following the notion of Parasuraman et al., (1985) that service provider perspective on customer expectation and actual customer’s expectation may not necessarily match which can negatively affect service quality. The proposed hypothesis is focusing on the role of power in the provider’s assessment of customer’s expectation.

The third hypothesis builds up on the Davis’s et al., proposition that from loyalty perspective customer’s are focusing more on the relational aspects of service quality rather operational aspects. A number of other studies in logistics have proposed that customer’s may value more certain aspects of service quality over others. Therefore, the hypothesis proposes that customers of TPL services will value relational aspects of service quality over operational aspects of service quality in order to stay loyal.
Lastly the forth hypothesis proposes that similarly to the Davis et al., (2006) research customer’s of TPL services will have different perspective on loyalty from their logistics service providers.

In summary, the purposes of the hypotheses is to distinguish whether power in TPL relationships impact service quality through changes in the customer’s zone of tolerance and provider’s perspective on the customer’s expectations. Additionally, the value of relational aspects of service quality to the customer is under question as well as the understanding of nature of loyalty by both sides of the TPL dyad.

While the above mentioned goals reflect the intents of the proposed hypotheses, the thesis has broader objectives, to give a theoretical framework that shows the connection between different theoretical constructs in the context of TPL services and long term orienteer relationships. This objective seeks to satisfy the gap in the literature specifically the holistic picture of relationships between powers, service quality, loyalty and B2B relationships. According to this thesis this objective is believed to be possible to achieve through a deeper focus on the underlined factors that influence service quality such as expectations and perceptions. Therefore this thesis offers a theoretical framework that suggests that power in the TPL relationships influence loyalty and long term relationships through impact on service quality by means of influencing customer’s zone of tolerance and provider’s perception of customer’s expectations.

7.2 Theoretical, methodological choices and future research

Since this thesis is limited to the developing of the theoretical grounds and hypotheses for future research it does not engage in the empirical testing of the proposed hypotheses. However, it provides several methodological suggestions for the future research investigating the power impact on the relationships in the TPL context.
This thesis proposes semi-structured interviews as a primary data collection technique. The semi-structured interview data collection technique is believed to satisfy the objectives of the research as it will enable the researcher to collect more insightful information into the matter of the researched problem, which is possible to achieve by applying qualitative methods to data gathering.

Furthermore, while qualitative technique is preferable when it is important to get a deeper understanding of the problem in the context of TPL services it does not address the issue of generalizability as much as the quantitative data collection techniques. Therefore, to address this issue it is proposed to use multi-method for data gathering, specifically combining the online questioner and semi-structured interviews. The online questioner is believed to provide information across a broader sample therefore allowing for researcher to generalize certain results of the analyzed data. However this technique will be limited to the type of information that could be collected.

The choice of the theories used in this thesis was determined majorly by two considerations. First, the specific problem of the thesis suggests that relevant literature should be selected. Second, the lack of a particularly corresponding theory suggests that the broader selection of the theoretical areas should be chosen that in combination can provide a suitable theoretical framework to address the problem of this research. The literature discussing B2B relationships, service quality, loyalty and logistics specific literature discussing B2B relationships, service quality and loyalty were selected to address the research problem. Therefore, the proposed theoretical framework is based on the literature review that included the above-mentioned literature.

The future research can provide an empirical testing to confirm or deny the proposed hypotheses. Consequently, the empirical testing can distinguish if power has implications for service quality, loyalty and relationships in the TPL dyad and if
7.3 Conclusion

The objective of this thesis was to contribute towards the answer of the proposed research question, specifically: **How does power inequality in TPL outsourcing relationships impact loyalty through influencing customer service quality expectations and provider’s perception on customer’s service quality expectations?** This thesis achieved this objective through a developing of the theoretical framework and the set of hypotheses that can be used in the future to further investigate the outlined problem in this paper.

7.3.1 Limitations and original value

**Limitations**

This thesis focuses on the developing of the first step of the bigger research that can answer the proposed research question by developing theoretical foundation for future research. Therefore, it does not provide an empirical testing of the hypotheses and a theoretical framework. This choice was made based on the several considerations that are discussed below.

As it has been pointed out earlier, the problem of power having an influence on service quality, loyalty and relationships has not received sufficient attention in the literature. Consequently, this research chosen to conduct a literature research to be able to identify relevant theories that in combination, are able to help answer the research question. Thus, a more detailed approach had to be applied to developing a theory on which the grounds of the hypotheses could be developed.
Another consideration for choosing such a design was the limited resources and time available at this stage of the research to conduct a full empirical testing of the hypotheses. The suggested methodological choices for future research imply that a series of interviews should be conducted. Additionally, it is suggested that the multiple methods approach would provide more reliable data and contribute to the generalizability of data. Therefore, the focus of this thesis was on the first stage of the research giving greater attention to developing of the theoretical part.

**Original value**

The initial assessment of the subject field followed up by literature review reviled a lack of theory specifically addressing the issue of power inequality effects on service quality, loyalty and relationships in the context of TPL services. Furthermore, the theoretical framework proposes a view on interrelationships of the different constructs in the TPL contexts that are similarly lacking in the literature. Additionally, while the overall research is inspired by Davis et al., (2006) it differs with respect to industry focus and methodology form the original study. Consequently, it utilizes a broader spectrum of theories incorporating logistics and third party logistics specific literature.

The power perspective on service quality and relationships as well as service quality perspective on relationships in the TPL has not received a great deal of attention in the literature, which is supported by the literature review. Therefore, the goal of this thesis is to be one of the first steps towards closing this gap.

**7.3.2 Contributions**

This thesis taps in to the discussion of the problem of the relationships in context of Third party logistics services. It specifically focuses on the issues arising when power is distributed unequally in the TPL dyad. As the TPL industry grows and more companies engage in TPL relationships there could potentially be more situations of power
inequality between partners. This thesis believes it is important to take a closer look at this issue from relationships, service quality and loyalty perspectives.

One of the outcomes of this thesis is a theoretical framework that unites different theoretical fields in one framework by showing the relationships between the relevant constructs identified by this research. This framework is novel as it combines the constructs in a way that has not been combined previously in the context of Third party logistics. It approaches the concepts of power and service quality from different angles. Specifically as a factor influencing service quality and relationships as suggested by relationships marketing literature, but has not been investigated thoroughly in the TPL literature.

Another outcome of this thesis is the developing of several hypotheses that are designed to answer the research question and could serve as a basis for future empirical investigation of the problem identified by this research.

While this thesis does not provide any empirical data that could be analyzed and therefore support or reject the proposed hypothesis, already at this stage the thesis identifies an area of research that has not been addressed sufficiently but can have implications for the industry.

The proposed problem of this research can be of value to the business in the academic community within the logistics industry by giving a focus on potential problems discussed in this research. The academic community can benefit from this research by following up and expanding the proposed research and investigating further the issue of power in TPL relationships. The business community can also benefit from this research by focusing their attention on the power in their relationships with customers when it is relevant taking into the consideration the proposed hypotheses.
8 References


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