

SMALL PACKAGE TRANSPORTATION COMPANIES: AN EXPLORATORY ANALYSIS

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Abstract:

Purpose: To determine the evaluative criteria used when choosing small-package transportation companies, the level of importance of selected criteria, and how selected package carriers are perceived by small business decision makers.

Methodology: Data were collected via self-administered questionnaires from a total of 31 decision makers in small businesses. The self-administered questionnaire was designed with four sections that handled separate but related topics. Questions from all four sections were taken from Parcel Shipping and Distribution's Best Practice Survey (2006), located at www.psdmag.com/bpsurvey.asp.

Results: Findings suggested that on-time delivery was the most salient evaluative criterion used by respondents. Surcharges were the least important criteria when selecting a small package transportation company. Even though, on-time delivery was ranked the highest by all job functions, office managers felt it was second to price/rates.

Research/Practical Implications: First is the recognition that package shipping appears to have become more of a commodity service. Even though on-time delivery and reliability of service were considered most important, price/rates were the most important criteria for office managers. For that reason, marketers, when targeting this group must focus efforts towards bottom line cost savings, in essence, justifying the price. When targeting CEOs, presidents, CFOs, accounting personnel, directors of transportation, and shipping managers, marketers should focus efforts on the benefits of on-time delivery and reliability. In other words, "on-time delivery" seems to be the motivating factor for favoring one carrier over another in an acceptable price/rate level.

Keywords: Business Marketing, Transportation, Logistics, Small Package Delivery, B2B, Organizational Buying Behavior

1. INTRODUCTION

On a daily basis, businesses are faced with the decision of which small-package carrier should they utilize for their shipping needs.. The decision can be

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difficult, even more so since the small package transportation and freight industry have been projected by the U.S. Department of Transportation to increase by 67 percent domestically and 75 percent internationally between 1998 and 2020 (USDOT, 2002). Given this, the industry is estimated to be a \$30 trillion market by 2020 (USDOT, 2002).

In 2006, Standard and Poor companies (S&P) saw approximately five percent growth in the air cargo sector, while small packages experienced an eight percent increase internationally and three percent domestically (Stovall, 2006). The volume of activity is now coming out of Asia, particularly China, and will feed air freight volumes over the next couple of years (Stovall, 2006).

Since the formation of the United States Postal Service in 1775, three independent carriers entered the market to compete for the delivery of small packages. These are: the United Parcel Service (UPS), Federal Express, and DHL. The emergence of alternative small package transportation companies has created a highly competitive marketplace, giving more choices to consumers and businesses, and has rendered the decision making process a lot more complex..

The increased competition in the small package delivery market has had a visible impact on market share. Companies in need of these services are aware of their choice alternatives and often shift their business around to gain more leverage with a particular carrier. Longtime market leader UPS has seen some of its market share snatched by growing rivals DHL, the U.S. Postal Service and FedEx (Hannon, 2005). SJ Consulting, the shipping industry analyst group in Pittsburgh, estimated that UPS had more than half (51%) of the market share in 2004 (Hannon, 2005). while FedEx had 27% share, the United States Postal Service garnered nearly 13% and the latest U.S. kid on the block DHL had between seven and eight percent (Hannon, 2005).

The United States Postal Service, UPS, DHL, and FedEx are all reputable and successful small package transportation companies. The question is how is the choice made to use one provider or the other?

Due to the size, nature, and consequences of some organizational decisions, decision making units within businesses can be large and complex. Large, highly structured businesses regularly involve more individuals in a purchase decision than do smaller, less formal ones (Brown and Brucker, 1990). Further, critical decisions are likely to welcome others from a wider variety of functional areas and organizational levels (Brown and Brucker, 1990).

The decision-making unit can be partitioned by functional responsibility and area of influence (Hawkins, Best, Coney, 1995). Functional responsibility can include specific functions such as engineering, manufacturing, transportation, research and development, sales, and purchasing, as well as general management (Hawkins, Best, Coney, 1995). Each entity views the needs of the business

differently and as a result, weighs different evaluative criteria differently (Hawkins, Best, Coney, 1995).

How the final purchase decision is made is determined in part by individual power (Kohli, 1989), expertise (Thomas, 1984), and the degree of influence each functional area possesses in the decision process (Lambert, Boughton, and Banville, 1986). The means by which the organization resolves group decision conflicts (Lambert, Boughton and Banville, 1986) and the nature of the decision will also influence the final purchase decision (Wilson, Lilien, and Wilson, 1991).

Perception is important when it comes to organizations choosing which product or service to go with (Hawkins, Best, Coney, 1995). To build a position with organizational customers, a business must go through sequential stages of exposure, attention, and interpretation (Hawkins, Best, Coney, 1995). Just as the perceived characteristics of an individual is affected by nearly everything associated with them — including his or her neighborhood, friends, activities, clothes, and manner of interacting — so too is a brand or an organization (Aaker, 1996). A potential buyer develops certain images of a seller's organization from its products, people, and organizational activities. Organizations have memories and base their decisions on images or memories they have constructed (Hawkins, Best, Coney, 1995). Once an image is formed by an organization, it is difficult to change; therefore, it is important for a business to develop a sound communications strategy to build and reinforce the desired image or brand position (Hawkins, Best, and Coney, 1995).

Given, the above, the purpose of this study was to determine how businesses choose small package transportation companies. Specifically, this study sought to:

1. Determine attitudes and perceptions toward selected small package transportation companies (DHL, FedEx (Express), FedEx (Ground), UPS, USPS),
2. Determine the criteria that are considered important when choosing a small package transportation company, and
3. Determine the level of importance of selected criteria when choosing a small package transportation company among different individuals in an organization.

2. RELEVANT LITERATURE

2.1 United States Postal Service

The United States Postal Service (USPS), an independent establishment of the Executive Branch of the United States Government, has annual operating revenues of nearly \$70 billion and delivers to every household and business in the U.S. (USPS, 2006). They deliver 212 billion pieces of mail, including small packages, to over 144 million homes, businesses and post office boxes in virtually every state,

city, and town in the country, including Puerto Rico, Guam, the American Virgin Islands and American Samoa (USPS, 2006). Furthermore, the USPS handles more than 44% of the world's letter and card mail volume — delivering more mail to more addresses and to a larger geographic area than any other postal service in the world (USPS, 2006). They also deliver around the world.

For the USPS to be successful at fulfilling their obligations they have reached out to their competitors for assistance. For example, FedEx Corp. had a \$1.3 billion annual contract with the USPS since 2001. FedEx carried all forms of mail for the USPS, including overnight Express Mail, two-day Priority Mail and first-class (Dade, 2006).

In June 2006, United Parcel Service Inc. (UPS) and the U.S. Postal Service reached a three year agreement that put mail on planes of the package-delivery company; a move that improved the reliability of the USPS. This move by the USPS was to reduce its use of passenger airlines that have failed to meet on-time delivery standards (Dade, 2006). The partnership is expected to generate revenues of more than \$100 million a year for UPS and expand its business relationship with the USPS beyond its current status (Dade, 2006).

2.2 United Parcel Service

The United Parcel Service (UPS), founded in 1907 as a messenger company in the United States, has grown into a \$36 billion corporation by focusing on facilitating commerce around the globe (www.UPS.com, 2006). Today UPS is a global company which in 2006 was noted in the *Business Week's* 2006 Best Global Brands issue, as one of the most recognized and admired brands in the world (www.UPS.com, 2006). Further, they have become the world's largest package delivery company and a leading global provider of specialized transportation and logistics services (www.UPS.com, 2006). Each day, UPS manages the flow of goods, funds, and information among more than 200 countries and territories worldwide, as well as provides logistics advice and distribution networks to its customers (www.UPS.com, 2006). In 2005, supply-chain consulting and international shipping accounted for a third of this company's revenues (Anderson, 2006). Moreover, the expansion of global commerce and the desire of businesses to cut costs will enhance future growth in both supply chain consulting and distribution networks (Anderson, 2006).

In 2001, UPS acquired Mail Boxes Etc. for \$191 million, and 87% of the franchisees were re-branded as UPS Stores. The company expanded its retail reach in 2006 by adding 300 more UPS Stores bringing the total to approximately 4500 stores.(Gibson, 2006).

2.3 Federal Express

Federal Express was founded in 1971 and ultimately became FedEx Corporation in January 2000 (www.FedEx.com, 2006). FedEx provides strategic leadership and consolidated financial reporting through its various divisions that include FedEx Ground, FedEx Express, FedEx Freight, FedEx Kinko's, FedEx Trade Networks, FedEx Custom Critical, FedEx Supply Chain Services and FedEx Services (www.FedEx.com, 2006). Today's FedEx is a \$29-billion dollar network of companies, offering a mix of transportation, e-commerce, and business solutions (www.FedEx.com, 2006). FedEx links companies and consumers to more than 220 countries and territories with support services such as customs clearance, freight forwarding, and supply chain services (www.FedEx.com, 2006).

Like UPS, in 2004 FedEx purchased Kinko's to provide mailing, printing, and other business services. However, unlike UPS, FedEx has not entered into supply chain consulting due to low profit margins (Creamer, 2005).

Even with price increases, FedEx's ground shipments, for example, are expected to remain solid as the market grows more competitive (Dade, 2006). Over the past three years, the Memphis, Tenn., company has expanded globally as well as increased business on the ground in the U.S. (Dade, 2006).

2.4 DHL

DHL has been in business for more than 35 years and continues to build a global delivery network by streamlining express shipping in one country after another (www.DHL.com, 2006). With Germany's government holding an indirect stake of 41.7% in the company, DHL is in over 220 countries and territories and is considered the global market leader of the international express and logistics industry (www.DHL.com, 2006). Further, with \$54.47 billion in annual revenues abroad, it is larger than FedEx Corp. and United Parcel Service Inc. combined (Esterl, 2006).

DHL specializes in providing customers with innovative and customized transportation solutions from a single source. (www.DHL.com, 2006) In recent years, DHL has made a concerted effort to penetrate the U.S. market.

In a market dominated by UPS and FedEx, DHL's share is at a meager seven percent. And though DHL rings up less than 10% of its revenue in the U.S., more than 50% of its global express deliveries are to the U.S.; hence, failure here could jeopardize business in other parts of the world (Esterl, 2006).

According to Esterl (2006), DHL may deliver packages in more than 200 countries and territories, but it has failed to deliver investor value (Esterl, 2006). The German delivery and logistics giant is stumbling in the market that matters most and where many of its investors reside: the U.S. (Esterl, 2006). DHL predicted initially that its USA unit would become profitable by the fourth quarter of 2006. The

company however continued to post losses through 2007. Currently, DHL is losing roughly half a billion dollars a year in the U.S. (Esterl, 2006).

To counteract this lackluster performance, DHL is looking to differentiate itself in this highly competitive market with exceptional service. A recent advertising campaign portrayed extreme examples of bad service to highlight its own focus on treating customers better (Howard, 2005).

3. ORGANIZATIONAL DECISION MAKING AND BUYING BEHAVIOR

In organizational decision-making a number of roles may play out by key players. There is the information gatherer, key influencer, decision maker, purchaser, gatekeeper, and ultimately the user (Berkowitz, 1986). A marketing manager could play all five roles, while sales managers may simply be sources of information. The role an individual plays in an organizational decision varies by type of decision and corporate culture (Hawkins, Best, and Coney, 1995).

Because organizational decisions typically involve more individuals in more complex decision choices than household or individual decisions, marketing attempts to influence the decision process are much more complex (Abratt, 1998).

To have a chance at winning a substantial contract, the selling firm must provide relevant information to each potential source of influence (Hawkins, Best, and Coney, 1995). This can be challenging given that each source has different motives and criteria for evaluating products, as well as different information absorption habits (Hawkins, Best, and Coney, 1995). To the extent the selling firm manages to satisfy the information needs of each source of influence; their odds of success improve immensely (Hawkins, Best, Coney, 1995).

3.1 Problem Recognition

Within a decision making unit of an organization, there are key influencers whose role is recognition of a need (Hawkins, Best, and Coney, 1995). For example, a continuing problem between field sales representatives and internal administrative clerks can lead the office manager and sales manager to recognize this problem. Aiding recognition of the need may be the accounting department as well as the finance manager who calls on the main decision maker (Hawkins, Best, Coney, 1995).

Businesses marketing to organizations have to understand how their products or services will impact the client's bottom line cost and overall performance. While a client's organization is always seeking ways to economically streamline its operations, it may not recognize problems that prevent them from improving. Thus, the selling organization must understand the needs of the client so that they can bring to surface problems and solutions that they may not have yet recognized (Hawkins, Best, Coney, 1995).

3.2 Information Search

Information search can be both informal and formal (Weiss and Heide, 1993). Informal information investigating occurs during discussions with sales associates, while attending business meetings, or reading trade publications (Hawkins, Best, and Coney, 1995). Site visits to a potential vendor, laboratory tests of a new or improved product, and exploration of possible product specifications can be part of the information search (Hawkins, Best, Coney, 1995).

3.3 Evaluation and Selection

According to several marketing researchers, the evaluation of choices and the selection often follow a two-stage decision process (LeBlanc, 1987; Day and Barksdale, 1992; Lockett and Naude, 1991). The first phase is making the buyer's qualified vendor list. A conjunctive decision process, whereby a minimum requirement of performance standards is established for each evaluative criterion and all brands that surpass these minimum standards are selected (Hawkins, Best, Coney, 1995). In this manner, the organization screens out potential vendors or options that do not meet the minimum criteria (Hawkins, Best, Coney, 1995).

The second phase involves decision rules such as disjunctive, lexicographic, compensatory, or elimination-by-aspects (Hawkins, Best, Coney, 1995). Disjunctive decision making involves establishing a minimum level of performance for each important attribute (Hawkins, Best, Coney, 1995). Lexicographic requires customers to rank criteria in order of importance (Hawkins, Best, Coney, 1995). Compensatory decision making involves selecting the brand that rates highest on the sum of relevant evaluative criteria (Hawkins, Best, Coney, 1995). Finally, elimination-by-aspects requires ranking the criteria's importance and to establish a cutoff point for each (Hawkins, Best, Coney, 1995).

This process is further complicated by different members of the decision-making unit having different criteria and assigning different weights to these criteria (Hawkins, Best, and Coney, 1995). For example, engineers are more concerned with product knowledge, product operations, and applications knowledge; purchasing is more concerned with pricing policies, terms and conditions, and order status (Hawkins, Best, Coney, 1995). Hence, the salesperson must be knowledgeable in these areas. If a purchasing director is concerned with the quality of a product, the salesperson should emphasize quality in the presentation.

3.4 Purchase and Decision Implementation

Once the decision to buy from the selected business is made, the method of purchase must be determined (Hawkins, Best, and Coney, 1995) and from the seller's point of view, this means how and when they will get paid. Most businesses offer terms that may include price discounts for payments within 10 days of the

invoice anticipation and volume discounts while others extend credit and encourage prolonged payment over 30, 60, 90, or even 120 days (Hawkins, Best, Coney, 1995).

When doing business internationally, purchase implementation and method of payment is more critical and complicated. When doing business in some countries, like Nigeria, obtaining letters of credit is needed to insure the seller will get paid (Hawkins, Best, and Coney, 1995). Further, some countries may prohibit the removal of capital from their country without an offsetting purchase (Hawkins, Best, and Coney, 1995). Terms, conditions, payments, warranties, customs, quotas, tariffs, and delivery dates are both complex and critical in business-to-business environments both domestically and internationally (Hawkins, Best, Coney, 1995).

3.5 Usage and Post Purchase Evaluation

After-purchase many organizations conduct detailed in-use tests to determine the life-cycle costs of competing products or spend considerable time evaluating a new product before placing large orders (Hawkins, Best, and Coney, 1995). A major component of post purchase evaluation is the service the seller provides after the sale. Satisfaction is dependent on a variety of criteria and on the opinions of many different people and each of these individuals has to be satisfied with the criteria important to them (Hawkins, Best, Coney, 1995).

4. METHODOLOGY

4.1 Sample and Population

The population of study was decision makers of businesses with small package transportation needs, and who are located in a southwestern state. The sample consisted of 536 randomly selected small package transportation decision makers, of whom, 31 responded to the survey yielding 5.78% response rate.

Individuals were contacted via e-mail and asked if they were willing to participate in a study regarding their experiences and perceptions with small package transportation companies. The three page survey was attached with an e-mail requesting the respondents to complete the survey and e-mail it back. After a two week period another e-mail letter with the attached survey was sent.

4.2 Instrument

The current study investigated what criteria businesses use to choose small package transportation companies. The study also sought to assess the respondents' attitudes and perceptions toward selected firms (DHL, FedEx (Express), FedEx (Ground), UPS, USPS). Additionally, the researchers sought to determine the importance of the selection criteria when choosing a small package transportation company among individuals of various levels of the organization.

A self-administered questionnaire was utilized to ensure the most accurate results regarding the decision making process and salient criteria. The self-administered questionnaire was designed with four sections that handled separate but related topics. Questions from all four sections were taken from Parcel Shipping and Distribution's Best Practice Survey (2006), located at www.psdmag.com/bpsurvey.asp.

Section One. The first section asked for the demographic characteristics of the respondent's organization. Respondents were asked the following: "What is your job title?" "What functions do you manage?" "How long have you been in the current position?" "What industry are you in?" "What is your company's primary business?" And "What are annual company sales?"

Section Two. The second section determined the criteria and importance of each when choosing a small-package transportation company. The criteria included on-time delivery, price/rates, service offerings, service standards, surcharges, and technology. Criteria were measured using a modified Likert scale of 1 through 6, where 1 was "most important" and 6 was "least important."

Section Three. In the third section, the respondents were asked to rate each small package transportation carrier using a modified Likert scale, from 1 to 10 (10 being the best). The areas included customer service, on-time service performance, delivery performance (driver courtesy and package handling), claims processing, refunds for late delivery, and pricing. Respondents were asked to only rate the carriers they have used in the past year and included DHL, FedEx Express, FedEx Ground, United Parcel Service, and the United States Postal Service.

Section Four. In the final section, the researchers sought to determine attitudes and perceptions regarding selected small package transportation companies. In accordance with their job position, the survey sought to assess the respondents' agreement or disagreement with a number of attitudinal statements presented in a Likert scale ranging from 1 to 5 where 1 was "definitely disagree" and 5 was "definitely agree."

The statements used in this section included: "Streamlining a complex global supply chain is important to me," "Enhancing my company's customer service is important to me," "It is important for my business to trade internationally," "Improving my logistics operations is important to me," "It is important to increase my speed to the market," "Improving my cash flow is important to me," "It is important to have shipping technology that is easy to use," "Having access to shipping companies when and where I need to is important to me," and "It is important to keep track of all my shipments."

5. RESULTS

Demographic Characteristics of Respondents

The sample totaled 31 decision makers of businesses located in a southwestern state with small package transportation needs. Approximately 19 percent of respondents were CEO's, Presidents, or in similar positions. Another 16.12 percent were CFO's, controllers, accounting managers, or similar. Almost 13 percent were directors of transportation or similar and 19.35 percent were warehouse and shipping managers or similar. Finally, 16.12 percent of respondents were identified as Office Managers.

Regarding the areas of responsibility of each respondent, approximately 68 percent managed the shipping and delivery functions and about 55 percent oversaw the order entry and returns process. Concerning the length of time in their position, about 29 percent noted that they had been in their job function for two to five years, while nearly one fourth (25.81%) had been in their job function for over ten years.

Regarding industry of participants, 29.03 percent were in consumer products; 19.35 percent were in manufacturing, and the same percentage reported being in the retail industry. When asked about the company's primary business, approximately 68 percent were in the manufacturing, wholesaling, and distribution industries and almost 23 percent were in retail. As to annual revenues, almost 39 percent of the respondents reported sales between \$25 million and \$99 million. Nearly 10 percent had company sales between \$100 million and \$499 million and the same percentage for sales over \$1 billion.

Section Two dealt with the evaluative criteria considered when selecting a small-package carrier. Respondents reported "on-time delivery" as the most important motivating factors in their negotiations, scoring a mean of 1.73. "Price and rates" were second with a mean of 2.07 (Table I).

Table 1.
Respondents Importance Ratings of Selected Attributes

Attributes	Most Imp. 1	2	3	4	5	Least Imp. 6	Mean
On-Time Delivery	13	12	3	1	0	1	1.73
Price	14	6	5	2	1	1	2.07
Service Offerings	0	4	6	6	5	6	4.11
Service Standards	3	4	6	7	4	2	3.42
Surcharges	0	2	2	6	8	8	4.69
Technology	0	1	7	3	9	8	4.57

N=31

In the attribute importance level and job function, CEO's, presidents, or individuals in similar positions selected "on-time delivery" as the most important attribute with a mean of 2.0. For CFO's, controllers, and accounting managers,

“on-time delivery” was also the most important attribute when choosing a small package transportation company, with a mean of 1.2. Directors of transportation also reported on-time delivery as their number one criteria when choosing a small package transportation company, with a mean of 1.75.

Similarly, warehouse and shipping managers indicated that on-time delivery was also the most important criteria when choosing a small package transportation company, with a mean of 1.6. However, Office Managers listed price and rates as the most important criteria when choosing a small package transportation company, with a mean of 1.5.

Results showed that on-time delivery was the most important criteria when choosing a small package transportation company among CEO’s, Presidents, CFO’s, controllers, accounting managers, directors of transportation, warehouse and shipping managers. Prices and rates were the most important criteria for office managers. Surcharges were the least important criteria for the majority of respondents in a variety of positions. Moreover, both surcharges and technology were tied for the least important motivating factors for office managers.

In the third section, respondents were to rate selected small package transportation carriers, using a modified Likert scale. The carriers that were rated included DHL, FedEx Express, FedEx Ground, United Parcel Service, and the United States Postal Service (Table II). Regarding customer service, UPS had the highest score (8.07) and DHL had the lowest (6.00). When asked to rate the carriers on on-time service performance, FedEx (Express) scored the highest (8.42) and USPS scored the lowest (6.44). Regarding delivery performance, FedEx (Express) came out on top (8.11) and USPS had the lowest score (6.44). Regarding claims processing, FedEx (Ground) scored the highest (7.20) and the USPS scored the lowest (5.25).

For refunds for late delivery, UPS had the highest score (7.67) and DHL had the lowest (5.60). When asked about pricing, UPS had the highest score (8.00) and USPS had the lowest (6.52). When averaging the scores for all six categories, customer service, on-time service performance, delivery performance, claims processing, refunds for late delivery, and pricing, UPS scored the highest (7.87) and USPS scored the lowest (6.11).

Table 2.
Respondents' Ratings of Small Package Carriers

	DHL	FedEx (Express)	FedEx (Ground)	UPS	USPS
Customer Service	6.00	7.90	7.67	8.07	6.05
On-time Service Performance	6.92	8.42	7.74	8.24	6.72
Delivery Performance	6.93	8.11	7.53	8.07	6.44
Claims Processing	6.75	7.00	7.20	7.15	5.25
Refunds for Late Delivery	5.60	7.18	6.86	7.67	5.67
Pricing	7.67	6.75	7.37	8.00	6.52
Mean	6.65	7.56	7.40	7.87	6.11

N=31

Section Four explored attitudes and perceptions regarding small package transportation companies. The study indicated that the statement, “reliability of service is important to me”, had the highest mean of 4.80, followed by “It is important to keep track of all my shipments” with a mean of 4.77. “Improving my cash flow is important to me” also had a high mean of 4.74 (Table III).

Table 3.
Responses to Likert-type Attitudinal Statements

Statements	Definitely Disagree 1	2	3	4	Definitely Agree 5	Mean
Streamlining a complex global supply chain is important to me	2	2	8	9	10	3.74
Enhancing my company's customer service is important to me	0	0	2	6	23	4.68
It is important for my business to trade internationally	3	4	7	6	10	3.53
Improving my logistics operations is important to me	1	0	3	11	15	4.30
It is important to increase my speed to the market	1	0	5	6	19	4.50
Improving my cash flow is important to me	0	0	2	4	25	4.74
It is important to have shipping technology that is easy to use	0	0	1	7	23	4.71
Having access to shipping companies when and where I need to is important to me	0	0	1	12	17	4.53
It is important to keep track of all my shipments	0	0	1	5	24	4.77
The ability to track my shipments from start to finish is important to me	0	0	4	8	18	4.47
The ease of processing and handling returns is important to me	0	0	8	11	11	4.10
Reliability of service is important to me	0	0	0	6	24	4.80
The ease of claims processing is important to me	0	1	2	12	16	4.39
It is important to have protection against risks associated with trade	0	2	3	14	11	4.13
Having inexpensive shipping rates is important to me	0	1	3	3	24	4.61
It is important to have a shipping rep that clearly understands my business	1	1	3	7	18	4.30

N=31

6. DISCUSSION AND IMPLICATIONS

The purpose of this study was to better understand the nature of the decision making process for shippers of small packages, and to determine the attitudes and perceptions of organizational shippers toward selected small package transportation companies (DHL, FedEx (Express), FedEx (Ground), UPS, USPS).

The findings suggest that “on-time delivery” is by far the most important criterion used when deciding to use a small package carrier followed by the overall reliability of service. This was the case for most of the respondents who identified themselves as having a CEO, CFO, or General Manager type position in their respective organizations. Low end office managers however rated price or rates as being the most important evaluative criterion.

The study indicated that surcharges were the least important criteria when selecting a small package transportation company. This is interesting due to the fact that price/rate were the second most important decision making characteristic among the majority of job functions. Even though surcharges do affect the total cost of shipping, surcharges according to the results, were not perceived as being a significant influencer of the carrier selection process.

As for the respondents’ attitudes towards the four major carriers, UPS rated best in customer service, on-time service performance, delivery performance, claims processing, refunds for late delivery, and pricing. With UPS marking a 100 years as of August 28, 2007 and being the first in the market, it appears that they have managed to learn from their years in business and building a widely held positive reputation, developing brand equity, and creating brand loyalty (www.UPS.com, 2006).

Even though UPS received the best average rate overall, it is interesting to note that FedEx (Express) was rated higher than UPS on “on-time delivery performance” which according to the study, was the most important decision making criteria for choosing a small package carrier. Fed Express however lost to UPS on price/rates, overall customer services, and refunds for late delivery.

The study also indicated that “keeping track of shipments” and “improving cash flow” were important hygiene factors for the decision makers.. Although these weren’t in first place, they came in second and third as factors impacting the selection decision process. It is clear that respondents need to keep their shipment history to provide superior customer service. Having a shipping record allows for quick order recognition, customer buying history, consumer trend tracking, and inventory referencing. By improving cash flow more capital will be available sooner to increase or replenish inventory, to enhance marketing efforts, and to generate interest from investment. This, in turn, helps the organization’s bottom line.

The findings suggest several implications. First is the recognition that package shipping appears to have become more of a commodity service. Even though

on-time delivery and reliability of service were considered most important, price/rates were the most important criteria for office managers. For that reason, marketers, when targeting this group must focus efforts towards bottom line cost savings, in essence, justifying the price. When targeting CEOs, presidents, CFOs, accounting personnel, directors of transportation, and shipping managers, marketers should focus efforts on the benefits of on-time delivery and reliability. In other words, “on-time delivery” seems to be the motivating factor for favoring one carrier over another in an acceptable price/rate level.

The results further indicate that the package carriers must focus their marketing effort at two levels. The buyers who may actually be at the lower levels of management find it essential to prove to the hire ups that they are doing their part to contain cost and thus may seek to patronize the carrier with the best rates on a given route. Upper management that have more security in their jobs focus more on getting their documents or packages to their destination in the shortest possible time irrespective of the rates their company may have to pay. To have a chance at winning a substantial contract, a marketer must provide relevant information to each source of influence (Hawkins, Best, and Coney, 1995). This can be challenging, given that each source of influence has different motives and different criteria for evaluating alternative services, as well as different information absorption habits (Hawkins, Best, and Coney, 1995).

In addition to reliability, results showed that keeping track of shipments and improving cash flow were important to all respondents. All package carriers these days are finding it essential to invest significantly in logistics management systems and tracking software that allow the customers to track their packages for anticipated dates and times of deliveries. Such investment is essential to grow and develop an image of an innovative, customer-oriented package carrier.

Future Research

This study was exploratory in nature and sought to establish a snap shot of how decisions are made to select small-package carriers. The study had major temporal and monetary constraints which resulted in a relatively small sample size. Future research should address these deficiencies to ensure a higher response rate. Moreover, due to the global nature of the services needed and provided in this market, it would be useful to perform some comparative analysis of these decision-making processes in different industries and locations around the world.

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