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Fine Art Logistics

How Innovation Creates Niche Market for Third Party Logistics Service Providers

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Abstract

Fine art logistics concept is revealed by Innovative third party logistics services. However, fine art logistics concept is quite new topic of current logistics literature and existing resources, acquired knowledge are limited. Furthermore, innovative logistics services, which are provided by third party logistics service providers and their relation with niche market strategy, are not well researched.

This study is prepared for making contribution to current logistics literature about fine art logistics and to investigate relation between niche market strategy and innovative third party logistics services.

The method used is a qualitative case study at Benice Logistics, a fine art logistics service provider firm, located in Turkey.

This study concludes and suggests how, third party logistics service providers should be more innovative for settle new business trend, and how they can create new opportunities and new specialization areas with their innovative services.

Keywords: Innovation, niche market, fine art logistics, third party logistics

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1. Introduction

Concepts of niche market, innovation and innovation perspective in logistics have been researched separately for a long time and different results are procured with these researches. However, innovative logistics service, which are provided by third party logistics service provider, and its relation with niche market strategy are underestimated and existing resources, acquired knowledge are limited in logistics literature.

Innovative activities and developing new services lead to new specialization areas in logistics sector. Fine art logistics is one of the examples for these new specialization areas. However, fine art logistics is quite new topic for current logistics literature and the existing studies not cover fine art logistics. The literature structure of this study targeted to provide a literature basis for fine art logistics in current logistics literature. In order to accomplish thesis' literature structure, a substantial literature review is carried on. Because of deficiencies about fine art logistics in existing logistics literature, literature structure of thesis based on these subjects: Innovation, Niche Market Strategy, Innovation Perspective in Logistics, Logistics Capabilities and Logistics Service Capabilities.

Firstly, a literature review related with innovation and niche market was conducted. Secondly, researches about service innovation, logistics innovation, literatures were searched. Thirdly, logistic & logistics service capabilities are researched in order to expand research and to understand connection between niche market and innovative service.

Research questions are determined with intent to investigate these facts, that are listed below:

- Innovative third party logistics services and niche market strategy relation.
- How innovation creates new opportunities with innovative services for third party logistics service providers.

1.1 Purpose

Fine Art logistics is quite new topic for current logistics literature and the existing studies not cover fine art logistics activities. This study is prepared in order to contribute logistics literature about fine art logistics, innovative third party logistics service and niche market strategy relation and how innovation creates new opportunities with innovative services for third party logistics service providers. In order to examine fine art logistics operation, the study is supported with a case company investigation which is related with fine art logistics. Furthermore, these research questions are determined after the literature review:

1. What is the difference between fragile goods transportation and Fine-Art Logistic activities?
2. What are the specific capabilities that are needed by Fine-Art Logistics?
3. How to improve these capabilities for to be sustainable?

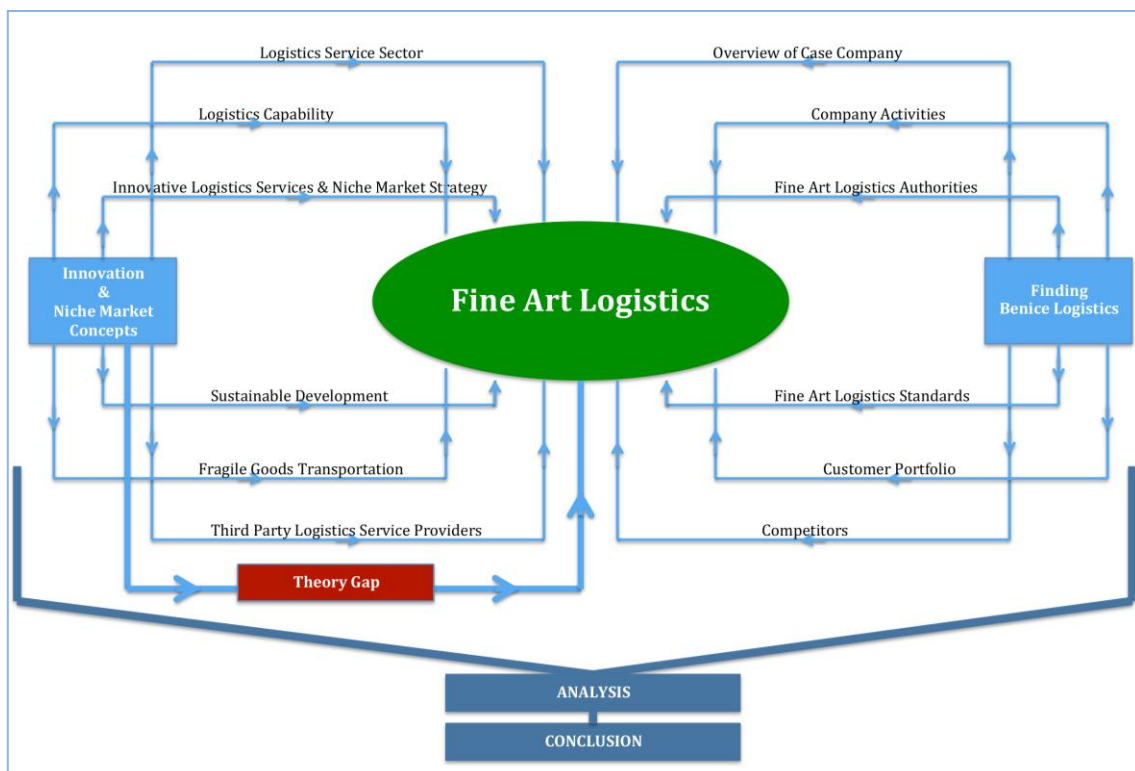


Figure-A: Thesis Structure

In this figure represents structure of the study. This structure is constructed and research questions were answered with respect to theoretical and practical findings.

2. Theoretical Framework

This chapter includes a general overview about Innovation & Innovation Management concepts, Niche Market Concept, Innovation Perspective in Logistics, Logistics & Logistic service capabilities, Innovative Logistics Services and Niche Market Strategy relations and its analysis. In the light of relevant books and scientific journal articles, the foundation of this study is built by reviewing the concepts of innovation and niche market and their relation.

2.1 General Overview of Innovation & Innovation Management Concepts

Innovation is positive contributor for becoming successful firm (Busse & Wallenburg, 2011). Therefore, concepts of innovation and innovation management have been discussed on wide scale and were handled by many researchers.

2.1.1 Definition and General Overview of Innovation

‘In today’s challenging and ever-changing business environment, any economy needs innovation to thrive’ (International Journal of Business and Management 2009). Today’s Business World has a dynamic condition. For this reason, innovation plays key role in business world. Ottosson (2006) addressed to Joseph Schumpeter who is Austrian Economist realizes the earliest evaluation of Innovation, for importance of innovation. Joseph Schumpeter emphasized that lack of innovation and related innovative activities are result of steady state.

Because of its importance, ‘Innovation’ topic is discussed by lots of people and defined by different ways. Innovation covers different aspects. Hence, this situation is reason of different definition occurrence for innovation. Innovation is described by Joseph Schumpeter (1934) with this way; “*creative destruction*”- *a new association of production factors and production conditions*. Furthermore, Baregheh (2009) addressed some authors, who are Thompson, V.A. Kimberly, J.R. and Van du Ven, A. definition and statements for innovation. Thomson (1965) stated that innovation is the accomplishment of new ideas, products or services.

On the contrary, Kimberly defined innovation with different aspect. Kimberly (1981) claimed that innovation should be classified into three separate title and these are stages of innovation. These are innovation in process; innovation in program, product and service, last stage is innovation behavior in organization. In addition to this, Van du Ven, A (1986) emphasised degree of newness with these words *“As long as the idea is perceived as new to the people involved, it is an "innovation" even though it may appear to others to be an 'imitation' of something Towards a definition of innovation that exist elsewhere.”*

Innovation covered new concepts and gained new definition with developing and growing business world. Francis and Bessant (2005) claimed that innovative activities should be realized through in four main areas for sustainable development and positive impacts. These are new product, new process, new position and new paradigm. Since, these are covered by Change in business with respect to their innovation models.

Moreover, Bessant and Tidd (2007) stated that proper practice method is also important as much as new idea. For this reason, innovation should be considered with new idea and its proper practice method. In this way, Bessant and Tidd (2007) defined innovation with this form: *Innovation as the process of translation new ideas into useful practice and use them, like new products, processes and services.*

2.1.2 Types of Innovation

Bessant and Tidd (2007) claimed that innovation should be evaluated with large perspective, because innovation gained different perspective with different implementation areas. In this way, Bessant and Tidd (2007) classified innovation into four main titles. Bessant and Tidd gave a name this classification: 4Ps of Innovation.

- 1) Product innovation, changes in products/services, which is offered.
- 2) Process innovation, changes in method, which are created and delivered.
- 3) Position innovation, changes in the context in products / services which are introduced.
- 4) Paradigm innovation changes in the mental models which frame what the organization does.

In addition to this, Bessant and Tidd classified 4Ps of innovation with respect to incremental and radical dimensions as shown below in figure 1.

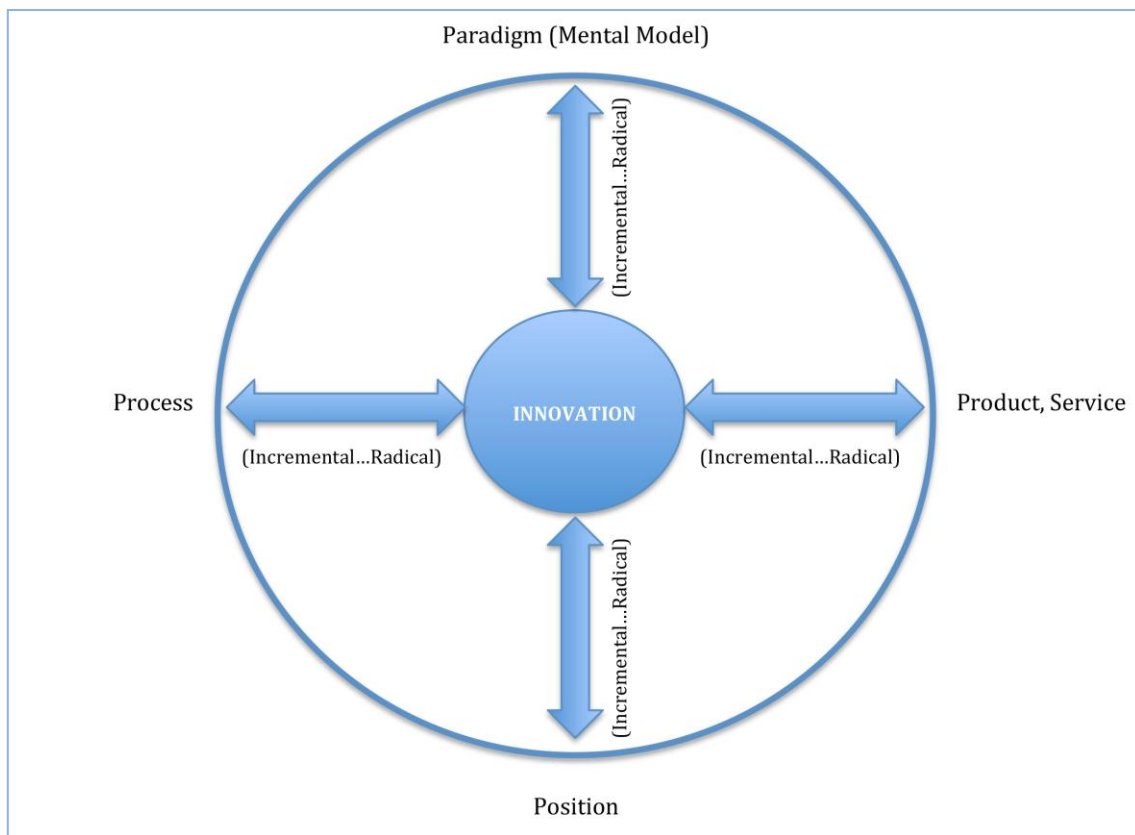


Figure 1: Types of Innovations and Dimensions (Bessant and Tidd, 2007)

2.1.3 Definition and General Overview of Innovation Management

The growing world economies provided the firms new markets and customers. At the same time, some business challenges are occurred with these business opportunities. To find and reach new markets is result of new competition areas. This situation caused to be better, cheaper and faster (Buse, 2007). This situation is the clear fact that reach this aim directly related with innovation.

Management of innovation also important for innovation process. Ortt and Duin (2008) addressed Drucker for relation of firm's innovation policy and firm's existence. Drucker (1999) claimed that innovation policy of firm is very crucial for firms' existence. Permanency of firms' existence depends on its innovative activities. For this reason, successful management of innovation is a necessity in order to maintain firms' existence.

Furthermore, Baier (2005) stated that innovation management is a process which to support an implement new ideas or invention for to gain economic benefit. Besides, innovation management covers supporting to emerge new ideas and to create an innovation culture in organization.

Ortt and Duin (2008) emphasized that to comprehend different kind of innovation management approaches and to determine and choose best approach for organization structure should be primarily aim for firms.

According to Buse (2007), in evolving business world to be innovative became a necessity. Since, to be innovative provides competitive advantage for firms in new market. In addition to this, according to Drucker (1999) to determine specific innovation policy is important for firm future, because to maintain existences of firms depend on their innovation activities and their innovation policy. Because of this fact, innovation process and managing of this process became an essential issue for firms. Since, to compete other competitors in the market and to gain economic benefits in new markets depend on innovation activities. For this reason, firms have to determine their proper practice method for innovation activities.

In addition to this, according to Drucker (1999) and Ortt and Duin (2008) evaluations, selection and managing of best innovation approach is key factor for firm success. Firms have to consider selection of best innovation management approach for their organizational structure. This situation also provides competitive advantages as well as innovation activities. Furthermore, as emphasized by Ortt and Duin (2008), management of innovation is not same for every business organizations. In other words, management of innovation varies with respect to firms' organizational structure. Because of this fact, to determine and select best innovation management approach for current organization structure plays key role for firms' success.

In this case, we can say that innovation management is important as well as innovative activities for business organizations. For this reason, firms consider innovation management as well as innovation activities.

2.1.4 Innovation Management Models

Ortt and Duin (2008) emphasised that Innovation management method is determined with respect to firms' organizational structure. Since, management of innovation is not same for every business organizations and finding best management method is very crucial for firms' success. For this reason, innovation management is handled by many of authors and some of them are briefly discussed in this part.

Innovation Funnel

Innovation Funnel represents creating process of innovative products, services or business process. As demonstrates in figure 2, funnel consists of three steps. In first steps includes aggregation and filtration process of ideas. Second step consists of assessment and selection of best idea and determination of concept. Last step consists of implementation process and determination of project. All of the ideas are gathered and filtered for easy selection. After that, best idea is selected and concept is determined. In the last phase, implementation of idea is determined with a project.

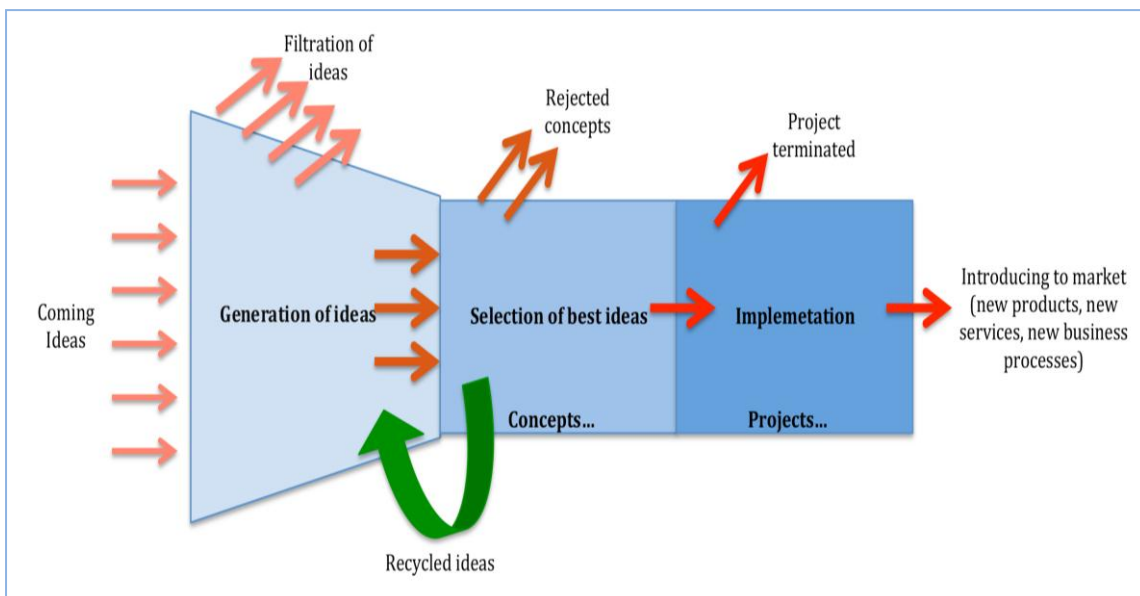


Figure 2: Development Funnels (Goffin and Mitchell, 2005)

Pentathlon Framework

Innovation funnel consists of three main phases as it shown in figure 2. However innovation process is affected by other factors. Such as; innovation strategy, people and organizational behaviors'. Especially, existence of innovation strategy plays key role in innovation process.

Since, creating and implementation processes are determined and controlled by innovation strategy. In this way, balance between efficiency of innovation projects and effective sources usage is kept by innovation strategy.

For this reason, pentathlon framework handled innovation process as important as other steps. As it shown in figure 3, pentathlon framework determined five elements in innovation process. They are; collection of ideas, prioritization, implementation and other elements Innovation strategy, people and organization which covers whole innovation process.

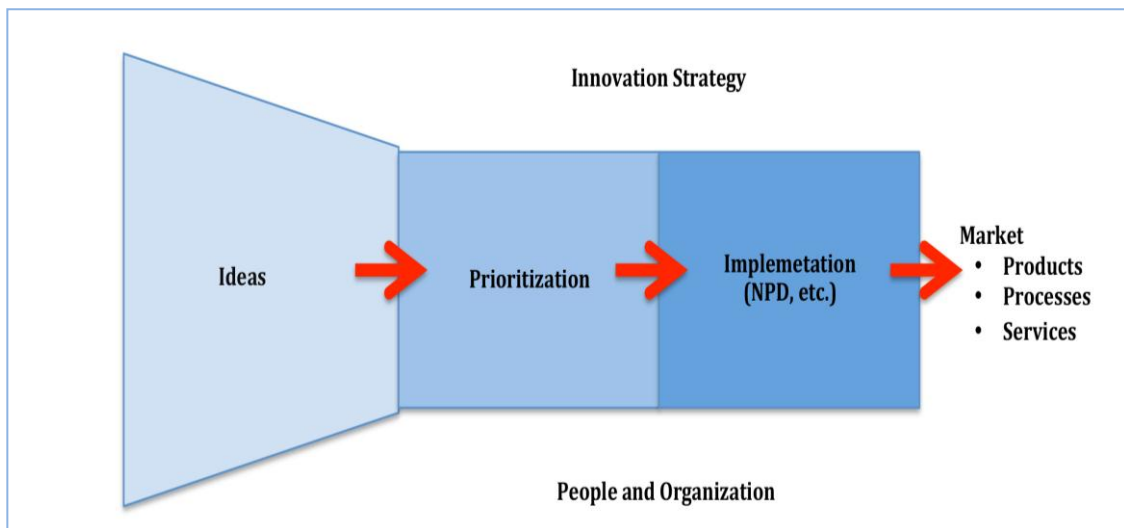


Figure 3: Pentathlon Framework (Goffin and Mitchell, 2005)

Bessant and Tidd Model

Bessant and Tidd model suggests these elements differently from other models. These are; proactive linkages, strategic leadership, direction and deployment, innovative organization.

Proactive linkage focuses on to create strong network with customer, suppliers and the other sources of organization. In this way, interaction level will increase between of network members thus this situation will help to create multi-functional communication level. Innovative organization provides creative environment for their employee and encourage them for creative decision.

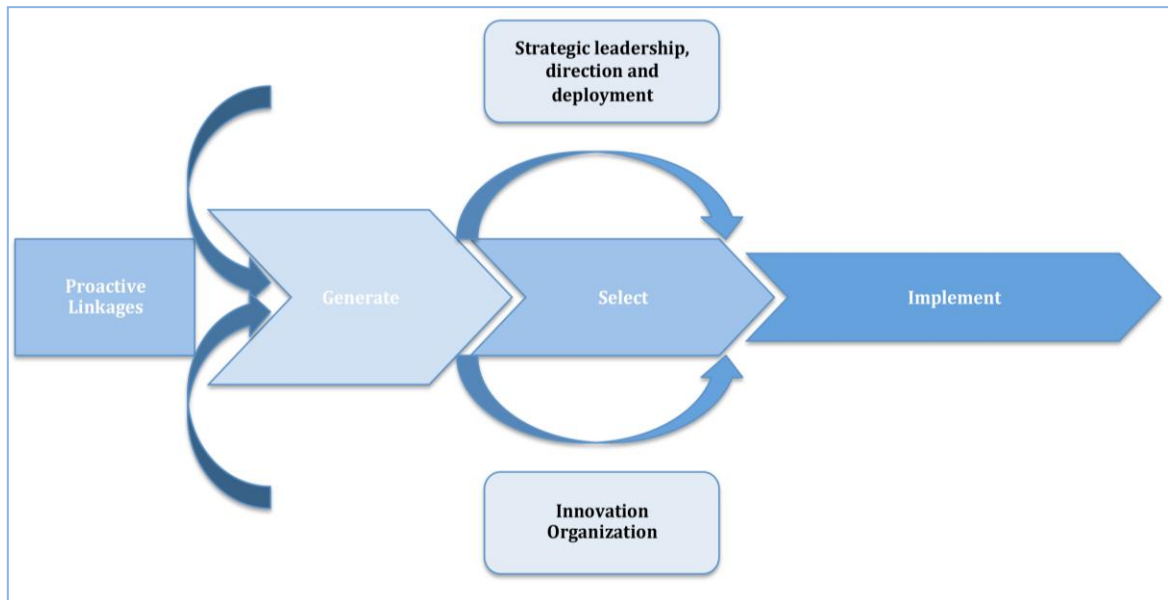


Figure 4: Bessant and Tidd Model for Managing Innovation (Bessant and Tidd 2007)

2.2 General Overview of Niche Market Concept

2.2.1 What Is Niche Market?

“Niche markets are an attractive opportunity available to small businesses forced to compete against the scale economies that larger competitors are able to achieve.”

(Thilmany, 2008)

There are several definitions about Niche Market from past to present. Michaelson (1988) defined that Niche Market with these words “finding small groups of customers that can be served within a segment”. However, just four years later, Shani and Chalasani (1992) emphasized clearly that the differences between market segmentation and niche marketing.

In addition, niche marketing has been used synonymously with market segmentation, target marketing, micromarketing, regional marketing, focused marketing and concentrated marketing (Dalgic and Leeuw, 1994). Moreover, Dalgic and Leeuw (1994) defined that a niche to be “a small market consisting of an individual customer or a small group of customers with similar characteristics or needs.”

Finally, Kotler (2006) defined that a niche market to be “a narrowly defined group seeking a distinctive mix of benefits” and also Kotler (2006) stated that the “Characteristic Feature of Niche Market” as follow:

- The customers in niche have a distinct set of needs
- The customers will pay a premium price to the firm that best satisfies their needs
- The niche is not likely to attract other competitors
- The nicher gains certain economies through specialization
- The niche has size, profit and growth potential

2.2.2 Types of Niche Markets

There are five different Niche Markets types that authors had written. First one is Ultra-focused Nichers. It was described by Simon (1996) and consists of ultra specialists that try to build strong position in very small markets. In addition to this, specific product or market-oriented, narrow product focuses, reliance on R&D, close ties between managers and workers are the specific features (Dalgic, 2006).

Second one is Globally Oriented Nichers. Oviatt and McDougall (1995) stated that being able to concentrate their business thinking to a single country and must be able to communicate a global vision to everyone involved. Dalgic (2006) briefly pointed out about internationally experienced, strong international network, unique intangible asset and linked product or service.

Third one is Ethnic Nichers. Dalgic (2006) mentioned that niche based on national consumption and focused on culture. However, it should not be forgotten ethnicity and culture are basic differentiation factors. Forth one is Vocal Local Nicher. It based on local identity. It is focused on creating a global image to attract customers. Fifth one is Customer Oriented Nichers. Dalgic (2006) described that the position of this nicher “a

great importance on strong customer orientation and tailors their products to meet particular customer requirements”. Furthermore, this type of nicher competes on value through quality, technology and product design.

2.2.3 Factors that build up niche market

In general view, small-scaled companies try to focus niche markets because they are ready to dynamic change and also their position placed create to deal with survive. In addition to this, large scaled companies mostly focus on mass marketing because it is hard to react dynamic changing.

However, in the recent past, this view has been broken from large scaled companies and they started to pressure on small-scaled companies. Changing customer preferences and demands have created diverse and fractured markets in contrast to the traditional mass market (Dalgic and Leeuw, 1994). Moreover, little by little, this broken led up to fragment in markets.

These fragmentations cause to generate lots of new markets such as cultural niches, service niches, reputation niches and so on. All companies will be better equipped to avoid competition and confrontation with competitors and, therefore, increase the chances of survival (Dalgic and Leeuw, 1994).

Table1: Reason for Fragmentation of US and European Markets

Reasons for Fragmentation of US and European Markets	
Changing family dynamics; including single parent households families with double income and no children, yuppies	The demands on personal time
Working women, overweight people, tall people	Flooding of markets; including products, services and stores
Increasing minority markets	The fading impact of network advertising
Technological advances	The decline in brand loyalty
The increasing power of the consumer	The overabundance of advertising
Changing demographics and lifestyles	The rise of discounts strategies

Source: Dalgic, T. & Leeuw, M. (1994) Niche Marketing Revisited: Concept, Application and Some European Cases

2.2.4 When to Choose a Niche Strategy

As several definitions of niche market there are some views on when to choose a niche market. Jain (1985) remarked that niche strategy should be done for the following reasons:

1. To avoid competition or confrontation with larger competitors and to devote its energy to serving a unique market
2. To enhance an opportunity
3. Survival

In addition, Leeflang (1990) stated that a niche strategy should be selected under these conditions:

1. If the company concerned has the ability to approach a niche in a specific manner, better and different from others
2. If the company is able to create a considerable amount of goodwill in a relatively short period, in order to deter potential competitors.

However, Leeflang had been forgotten to consider a niche strategy like a competitive strategy and using to penetrate large markets or existing segment. After that, Leeflang added some missing point that should be considered when identifying and selecting a niche strategy:

1. Realizing sustainable competitive advantages with products in specific markets
2. Basing advantages on longer-term interests of customers
3. Transforming long-term interests into long-lasting relationship with different interest groups
4. Taking initiatives to sustain relationship

2.2.5 Advantages and Disadvantages of Niche Market Strategy

Advantages of Niche Market Strategy

The common view on niche market strategy is about increasing profit. As mentioned before, the view on small-scaled companies focus on niche market and large-scaled

companies focus on mass market. It reported the return on investment from smaller markets averaged 27 percent, while that from larger markets was only 21 percent (Linneman and Stanton, 1992). It shows that not only large-scaled companies but also small-scaled companies also gain bigger profits.

Besides profits, an additional benefit of niche marketing is that this strategy provides an easier defense against potential competitors (Dalgic and Leeuw, 1994). As an evidential reasoning, Kotler (1993) remarked that whereas segmented markets are fairly large and normally attract several competitors, niche markets are fairly small and normally attract only one or two.

Disadvantages of Niche Market Strategy

As everywhere, each second that lived contain risk. And, of course, niche market strategy also has some risks. For instance, an attack by a competitor who wants to be a part of a profitable niche (Shani and Chalasani, 1992), cannibalization (Linneman and Stanton, 1991), the threat of the niche drying up because of a change in customer preferences (Shani and Chalasani, 1992) and Raynor (1992) warns that just because a niche exists in one area does not mean that it exists in another.

2.3 Innovation Perspective in Logistics

In this part of the study consists of innovation in service sector, innovation in logistics, and innovation in logistic service sector.

2.3.1 Innovation in Service Sector

Service sector consist of many different branches, thus, many different service definitions exist in the literature. In order to clarify this situation De Jong (2003) addressed some authors' statements and definitions. Some of them are addressed in order to clarify service's notion in this part of the study. These are, Cook, D.P and DISR (1999) service definition.

According to Cook et al (1999) there is no specific definition of service's notion which covering all branches of service. However, service is defined by DISR (1999) with these words: "... *the delivery of help, utility or care, and experience, information or*

other intellectual content - and the majority of the value is intangible rather than residing in any physical product.”

Moreover, De Jong (2003) concluded that main qualifications of service are; intangibility, heterogeneity, interactivity and perishability with respect to other authors' statements and definitions.

Howells (2000) stated that services sector has not a big portion in economies. However, Howells addressed Hipp, C. for service sector's status. According to Hipp (1999) service sector is not underestimated from other sectors.

De Jong (2003) addressed some authors' statements which are about service and manufacturing innovation. These statements are summarized such that:

- Innovation in service is different than in manufacturing.
- Innovation investment cost in service sector is lower than manufacturing.
- Necessity of technology for service sector is less important than manufacturing industry.
- Service innovation includes improving services delivery and client interface.
- R&D is not necessary for service sector firms as manufacturing industry.
- Service firms do not need much investment for supporting innovation such as buying patents and licenses.

Recently, importance of service sector is rising in developing economies. This situation also affects to competition among service sector firms. Riddle (2008) stated that the firms in service sector have to compete with help of the innovation for to be successful. However, innovation is important as much as manufacturing industry for service sector, as Riddle (2008) stated that to be successful depends on changing and developing services with respect to customer needs. Innovation in service is described by Menor et al (2002) with such way: “... *an offering not previously available to a firm's customers resulting from additions to or changes in the service concept*”

Moreover, Riddle (2008) claimed that a new service idea has to provide these conditions for to be an innovation.

A new service idea is an innovation if it:

- Is an intentional change in the service provided
- Provides a new or substantially improved benefit to the customer.
- Significantly improves the service firm's profitability.
- Can be duplicated from customer to customer.

In addition to this, Riddle (2008) stated that, there are three innovation ways for service firms.

- Changes to the service itself, or what is being offered.
- Changes to the service delivery process, or how the service is being provided. .
- Changes to the organizational and managerial structure, or how service provision is supported.

2.3.2 Innovation in Logistics

World is getting smaller day-by-day with the growing economies. To try finding new resources and new markets for marketing activities and realizing of distribution of finish goods every destination in the world can be proof of this situation. Logistics activities are one of the ways that provides to reach every part of the world.

Supply Chain Management Professionals defines logistics management such that; logistics management is part of supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements. Logistics costs play key role total operation costs. Since, rate of logistics cost has high percentage in the total cost. For this reason, many firms want to create a partnership in order to decrease their costs.

Grawe (2009) emphasized that to increase market share and gaining competitive advantages and increase customer portfolio and adding value to firms' output depends on effective logistic activities. Logistics innovation has been defined by Flint et al., (2005) "...any logistics related service from the basic to the complex that is seen as new and helpful to a particular focal audience. The audience could be internal where

innovations improve operational efficiency or external where innovations better serve customers.”

Furthermore, Mena, et al. (2007) stated that logistic innovation divided two main topics: Technical innovation and administrative innovation. Technical innovation represents technological development, such as telematic. Telematic represents to use technology for monitoring and controlling activities such as; shipment tracking and tracing, etc.

Administrative innovation represents non-technological innovation such as; JIT (Just in time), Value-added service, etc. Mena (2007) listed recently administrative innovation as listed below:

- Just in Time (JIT)
- Value added services
- The concept of fourth party logistics (4PL)
- Collaboration with customers, suppliers and even
- Another form of collaboration amongst competitors
- Green logistics
- Other administrative innovations include cross-docking

2.3.3 Innovation in Logistic Service Sector

As stated by Busse & Wallenburg (2011) innovation is positive contributor for becoming successful firm. Logistic service provider should be more innovative for to settle new environmental trend. For this reason, desire to be innovative of logistic service providers is increase with new business trends. There are three reasons for to be innovative for Logistic service providers. Busse & Wallenburg (2011) addressed Langley, Lieb Jensen and Stelling, Oster and Strong, in order to explain three reason of to be innovative. First one, to determine their services with respect to customer demand and expanding their logistic service into multiple service area are become main targets for logistic service providers (Langley et al., 2006; Lieb, 2005). Second is competition that is result of globalization (Langley et al., 2005). The last one is deregulation (Jensen and Stelling, 2007). Deregulation cause cost and quality competition, in this way, there is a competitive pressure is occurred (Oster and Strong, 2000). Because of this fact, Logistic service providers have to be innovative.

Grawe (2009) defines logistic service innovation with this way: *Logistics service innovation refers to a new, helpful idea, procedure, or practice in logistics operations that is different from a company's current practice.* Improvement in logistics service depends on customer demand. In other words, customer is determinant factor for realizing innovation in Logistic service (Busse & Wallenburg, 2011) Busse & Wallenburg et al. (2011) stated that successful innovation process generates economical benefit for firms. Other sector firms are more innovative than logistic service provider. This situation necessitates the realization of innovation in logistics service sector. Since, logistic service firm gains some benefits with innovation.

Caphman (2002) listed benefit of innovation as follows:

- The achievement of greater efficiency
- Increased customer satisfaction
- Better strategic planning
- More flexibility and adaptation to market changes
- Improved decision making
- Rapid and flexible supply-chain management processes
- Other benefits leading to rapid innovation capabilities

2.3.4 Sustainable Development Perspective for Logistics Services

"...the notion of logistics resources as being the main source of a company's competitive advantage is not new." (Sandberg and Abrahamsson, 2011). In addition, Qiao and Zhao (2008) emphasized that logistics service capability is most important weapon for competitive business environment. Since, quality of logistics service level directly related with customer satisfaction level.

"....Additionally to globalization the logistics industry is harassed by increasing sustainability requirements, increasing security regulations and technology innovation expectations." (Straube, F., Pfohl, H. 2008). Moreover, Lai (2004) stated that importance of logistics increased with rising of competitive coercion and globalization in business world. This situation reveals importance of quality and difference in service

for logistics service providers. In addition, logistics innovation handled by Grawe (2009) and logistic innovation diffusion is examined.

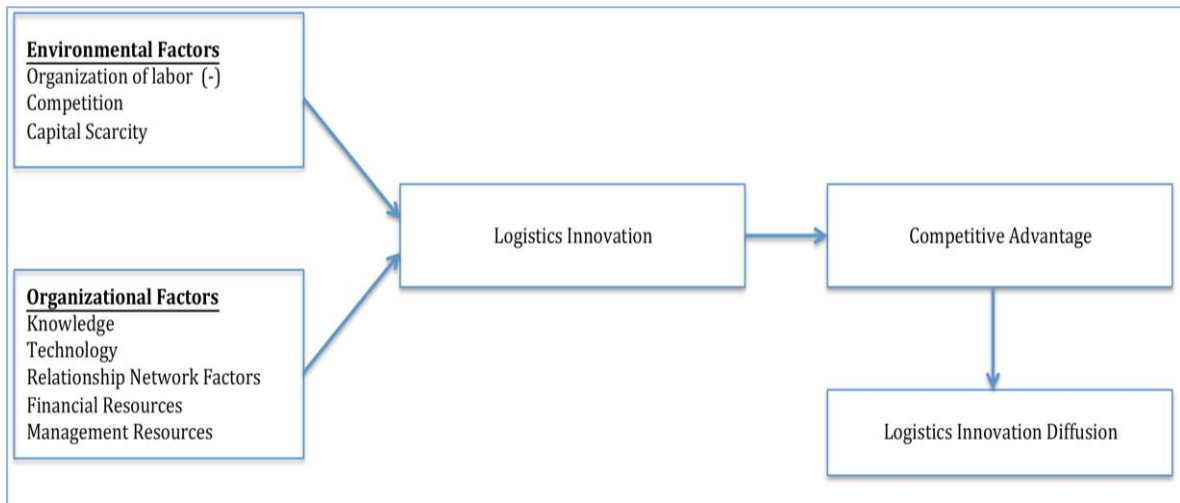


Figure 5: Logistics Innovation Model (Grawe, 2009)

As shown in figure 5, logistics innovation based on environmental and organizational factors, logistics innovation creates competitive advantage then logistics innovation diffusion occurs.

Furthermore, "...expected technology innovations are additionally said to influence their cost situation. And longterm views stress the importance of sustainable logistics concepts" (Straube, F., Pfohl, H. 2008). In order to be innovative, logistics service providers have to invest for innovative activities. Despite innovation investments are costly; they provide sustainability in long term.

2.4 Logistics Capabilities, Logistics Service Capabilities & Logistics Service Provider Concepts

Qiao and Zhao (2008) emphasized that; logistics service capability is most important weapon for competitive business environment. Since, quality of logistics service level directly related with customer satisfaction level. In this part of study, logistic capabilities, logistic service capabilities and logistic service provider concepts are discussed.

2.4.1 Definition of Logistics Capability

Many scholars handle logistics capabilities and there are many definitions about that topic. Sandberg and Abrahamsson (2011) defined term of capability with this way: “Capability is total skills and related experience of firm which represents to efficiency of firm.”

Moreover, Gligor and Holcom (2012) claim that capabilities represents main roles of strategic management such as; functional perfection, configuration of sources, organizational competencies, etc. Gligor and Holcom (2012) stated that after comprehensive researches logistics capabilities are grouped by Global Logistics Research Team at Michigan State University (1995). These are; positioning, integration, agility and measurement.

Qiao and Zhao (2008) claimed that logistics capabilities are combination of total sources of firms which are using for to respond customer demands. In addition to this, Gligor and Holcom (2012) addressed Mentzer et al., (2004)’s classification of logistics capabilities. Mentzer et al., (2004) investigated logistics capabilities’ structure with respect to contribution of competitive advantage. In this way, logistics capabilities are categorized in four groups:

- *Demand-management interface capabilities*
- *Supply-management interface capabilities*
- *Information-management capabilities*
- *Coordination capabilities.*

According to Mentzer et al., (2004) classification, demand-management interface capability based on strong customer service and quality logistics services. Supply-management interface capability focuses on low cost all logistics operation. Information-management capability highlighted importance of information technology and information sharing. Last capability is coordination. Coordination capability refers to firms’ internal and external network.

Moreover, Gligor and Holcom (2012) thought that logistics capabilities are not remain limited with Mentzer's classification in their research. For this reason, they summarized logistics capabilities with respect to some authors' decisions.

Table 2: Logistics Capabilities

Logistics Capabilities	Description	Authors
Demand-management capability	<i>Product or service differentiation; service enhancement for continuous distinctiveness by targeting a given customer base; unique, value-added activities</i>	<i>Morash et al., 1996; Stank and Lackey, 1997; Bowersox et al., 1999; Lynch et al., 2000; Zhao et al., 2001; Mentzer et al., 2004; Esper et al., 2007</i>
Supply-management capability	<i>Total system cost minimization with explicit consideration of cross-functional trade-offs; effective management of time to eliminate wasted capital and inventory; response to demand fluctuations with less distortion of the order cycle process; use of resources to enable postponement speculation, modularization, and standardization</i>	<i>Murphy and Farris, 1993; McGinnis and Kohn, 1993; Daugherty and Pittman, 1995; Morash et al., 1996; Mentzer et al., 2001; Lowson, 2003; Esper et al., 2007</i>
Integration capability	<i>A state that exists among internal organizational elements that are necessary to achieve unity of effort to meet organizational goals; includes internal and external components</i>	<i>Kahn and Mentzer, 1996; Daugherty et al., 1998; Bowersox et al., 2003; Stank et al., 2005; Esper et al., 2007</i>
Measurement capability	<i>Degree to which a firm monitors internal and external operations; aligned with strategy to make accurate, detailed, relevant, and timely information accessible for strategic planning and daily decision making; enables the translation of business objectives into measurement specific operational and financial targets</i>	<i>Global Logistics Research Team, Michigan State University, 1995; Fawcett et al., 1997; Gilmour, 1999; Bowersox et al., 2000; Holmberg, 2000; Esper et al., 2007</i>
Information exchange capability	<i>Acquires, analyzes, stores, and distributes tactical and strategic information both inside and outside the firm; involves the application of hardware, software and networks</i>	<i>Closs et al., 1997; Zhao et al., 2001; Mentzer et al., 2004; Esper et al., 2007; Jack et al., 2009</i>

Source: Understanding the role of logistics capabilities, David M. Gligor and Mary C. Holcomb (2012)

Logistics capabilities are classified in five groups by Gligor and Holcom (2012) with respect to some authors' comment. Respectively, logistics capabilities are; demand management capability, supply-management capability, integration capability, measurement capability and information exchange capability. Demand management capability based on product and service differentiation which refers to augmentation of distinction in products and services. Supply-management capability focuses on whole logistics system for decreasing total cost and increasing effective management in supply chain. Integration capability handles to all organizational elements. Integration capability combined all internal organizational elements for to achieve organizational goals. Measurement capability based on firms' internal and external operations.

Main aim is to determine firm's operation level. Last capability is information exchange. Information exchange capability represents all information flow of firm which covers all resources in inside and outside of firm.

2.4.2 Definition of Logistics Services Capability

Recently, a lot of firms in manufacturing sector want to work with logistics service providers for their logistics activities. They aimed that to reach quickly their markets and customers (Lai 2004). Qiao and Zhao (2008) emphasized that logistics service capability is most important factor for competitive business environment. Since, quality of logistics service level directly related with customer satisfaction level. In other words, there is a balance between logistics service capability and competitive advantage. Moreover, Ewing (2009) stated that many of firms are in demand for to outsource logistic activities. For this reason, importance of logistics quality in logistics services increased with this situation.

Qiao and Zhao (2008) defined logistics service capability with this way “....*logistics service capability is a kind of integrative representation of logistics service level, when this enterprise is providing logistics service based on its kinds of resources.*”

Moreover, Qiao and Zhao (2008) classified logistics services capabilities into four elements. As it shown in table, these are basic logistics service capability (BLSC), additional logistics service capability (ALSC), flexible logistics service capability

(FLSC) and value-added logistics service capability (VLSC). These elements are arranged with respect to lower level to higher level.

Table 3: Logistics Service Capabilities

Key Logistics Services Capabilities	Key Practice	
Basic Logistics Service Capability	<i>Cost</i>	<i>Manage cost</i>
	<i>Security</i>	<i>Reduce accident</i>
	<i>Availability</i>	<i>Reduce the error ratio</i>
		<i>Increase the speed of handling order</i>
	<i>On time</i>	<i>Delivery on time</i>
Additional Logistics Service Capability	<i>Information</i>	<i>Provide information about order status</i>
		<i>Easy for customers to inquire information</i>
	<i>Standardization</i>	<i>The capability to provide standardized service</i>
Flexible Logistics Service Capability	<i>Distribute urgently</i>	<i>Handle the order quickly</i>
		<i>Distribute in time</i>
	<i>Diversity</i>	<i>Have the capability to aggregate kinds of service</i>
	<i>Handle dissatisfaction</i>	<i>Have the capability to handle customers' dissatisfaction emotion</i>
Value-Added Logistics Service Capability	<i>Product recall</i>	<i>The speed of handling the product recalled</i>
	<i>Individuation demand</i>	<i>Make to order service</i>
	<i>Handle materials</i>	<i>Have the ability to handle materials</i>
	<i>Finance service</i>	<i>Cargo mortgage and balance</i>

Source: Qiao, Zhao (2008), Research on Third Party Logistics Service Capability Maturity Model

On the table 5 key logistics capabilities demonstrates with key practices. BLSC covers basic logistics services such as, transportation, warehousing, etc. ALSC based on two services which are information and standardization. FLSC based on special services which are related with unexpected customer demand or special situation. VLSC focuses on unique services which enable to improve firms' success.

Moreover, Qiao and Zhao (2008) stated that logistics service capability elements are arranged with respect to lower level to higher level. For this reason, logistics service capability of logistics service providers differs from with respect to their services potential. However, logistics service providers can gain additional services capabilities with innovative activities.

2.4.3 Third Party Logistics Service Providers Concept

To increase market share and gaining competitive advantages depends on effective logistic activities Grawe (2009). Lai (2004) stated that importance of logistics increased with rising of competitive coercion and globalization in business world. For this reason, many companies have started to consider logistics in their business strategy.

Langley et al. (1999) defined that third party logistics service providers are firms which provide various logistics services for their clients. Furthermore, Lukassen and Wallenburg (2010) stated that, third party logistics service provider is a company which have ability to provide multiple logistics services that covers great deal of logistics operations.

Moreover, Ewing (2009) stated that many of firms are in demand for to outsource logistic activities. They aimed that to reach quickly their markets and customers. Lieb et al. (1993) defined outsourced logistics services as *the use of external companies to perform logistics functions that have traditionally been performed within an organization. The functions performed by the third party can encompass the entire logistics process or selected activities within that process. Thus, there are definitions that differentiate themselves with time period of given logistics service.*

In addition to this, Lieb and Bentz (2005) gives some examples of services in their study that are provided by third party logistics service providers. These are; freight forwarding, freight payment, shipment consolidation, customs brokerage, product returns, reverse logistics...etc.

2.5 Relations between Innovative Logistics Services & Niche Market Strategy

Relations between innovative logistics services and niche market strategy is investigated with logistics service provider's innovation development and fragile goods transportation in this part of the study.

2.5.1 General Overview of Logistics Innovation Development Process at Logistics Service Providers

Before putting in place a process for developing and managing innovations it should be highlighted, that the process of innovation in logistics largely depends on four approaches, which differ in degree of novelty and standardization (Bajec 2012).

Bajec (2012) claimed that innovation in logistics depends on four approaches and clarified these approaches such that:

- **Full standardization, no customization:** This approach refers to improving standard services without considering to specific customer requirements
- **Full customization, no standardization:** This approach refers to only customized solution without considering standard services modules.
- **First standardization, then customization:** This approach refers to offering standard service, which is a regulated customer specific requirement.
- **First customization, then standardization:** This approach refers to improving customer-specific solution and improving standard service.

In addition to this, Bajec (2012) claimed that innovation behavior of logistics services providers focus on directly customer oriented activities. However, logistics service provider should consider equally both customer and service sides.

Furthermore, types of logistics service providers' innovation handled by Wallenburg (2009). According to Wallenburg (2009), innovation by LSPs is divided into two sections: Internal and customer-related innovations. Internal innovation is directly related with logistics service provider's efficiency. Wallenburg (2009) gave some examples about these type innovations such as using fuel-efficient vehicles or routes. Main aim of these types innovation is to increase efficiency.

Other section is customer-related innovation. This section covers customer-oriented innovations. According to Wallenburg (2009), customer-related innovation consists of two main parts: Multi-customer-related innovation (Market Innovation), single-customer-related innovation (Relationship-Specific). Multi-customer-related innovation focuses on whole market that improves competitiveness of firm.

However, According to Wallenburg (2009) focuses on particular customer demands. These are main distinctions between of these innovations. In addition to this, single-customer-related innovation consists of two sub-classes, which are innovations in on-going relationship and innovations at the beginning of the customer-shipper relationship.

According to Wallenburg (2009), these type innovations are directly related with customer demands and innovations in on-going relationship divided with respect to this situation: Reactive and proactive innovation. Proactive innovation consists of two sub-classes, which are proactive cost improvement and proactive performance improvement. Innovations by LSPs are demonstrated in figure 6.

Moreover, Wagner (2008) handled and analysed innovation activity with respect to sectoral and firm's perspectives. According to Wagner's (2008) sectoral analysis, transportation sector has minimum innovation activity level. However, innovation is an important notion for reducing cost and to be competitive with respect to firm's perspective analysis.

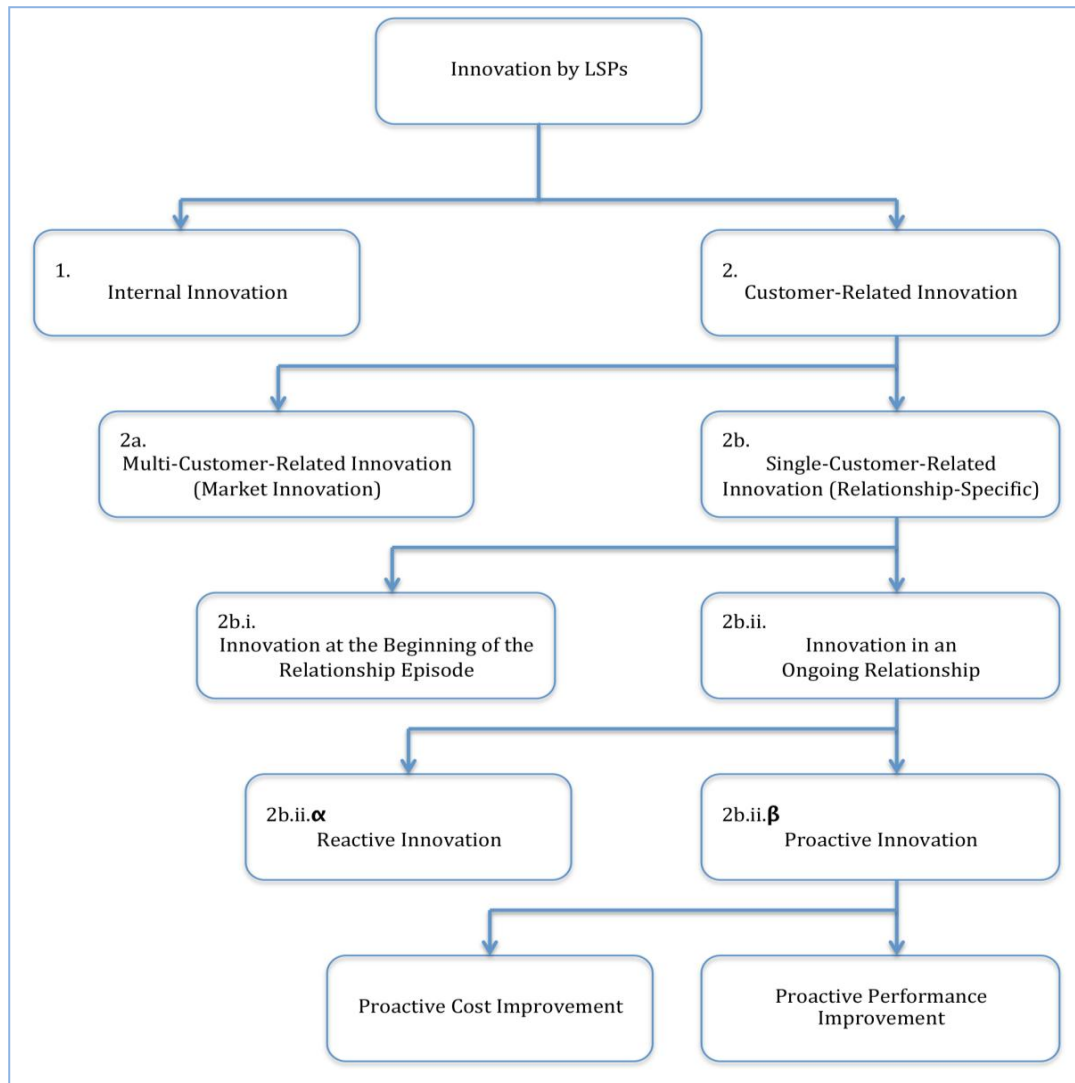


Figure 6: Classification of innovations by LSPs (Wallenburg, 2009)

2.5.2 Innovative Logistics Services and Niche Market Strategy

Hu (2010) stated that there are two main aims in traditional logistics transportation. First aim is reducing transportation risks, costs and time. Second aim is increasing customer satisfaction. However, logistics service providers use different methods with respect to properties of goods. Therefore, customers choose logistics services provider with respect to its logistics service capabilities.

Moreover, Lai (2004) stated that importance of logistics increased with rising of competitive coercion and globalization in business world. For this reason, many companies have started to consider logistics in their business strategy. This situation reveals importance of quality and difference in service for logistics service providers. In other words, logistics service providers have to provide quality service and have to create differences in their services.

At this point of view creating difference in logistics service very important issue for to compete with competitors. However, there is another important point which appears with this situation.

Dalgic and Leeuw (1994) stated that changing customer preferences and demands have created diverse and fractured markets in contrast to the traditional mass market. In other words, preferences of customers cause of new demands, in this way, firms are in need of new services in order to respond new demands. Moreover, this situation reveals new specialization areas as well as in logistics sector. In order to understand and examine this situation, fragile goods transportation is discussed in this study.

2.5.2.1 Fragile Goods Transportation

Growing and developing business world creates new constraints for logistics service providers in their logistics activities. This situation directly related with developing technology and new customer demands. Fragile goods transportation is one of the perfect examples for this case.

Fragile goods are kind of products that have less endurance. Therefore, they need some consideration and there are some constraints during transportation. Hu (2010) defined fragile production such that “*Fragile productions are the substances and products made of materials which have high brittleness, poor rigidity, and less able to resist shock, cracking and press, such as crystal, glass, pottery, glassware, ceramics, computer etc.*” Fragile goods concept as stated in the definition has widescale product portfolio. For this reason, different properties of many products fall under in fragile goods concept.

As indicated in definition, fragile goods have poor rigidity and special nature of these goods causes of some constraints during transportation process. For this reason, transportation safety is important issue for fragile goods firms. In addition to this, minimizing broken risks become new aim for logistics service providers (Hu 2010). Therefore, logistics service providers have to consider all factors during transportation process in order to endure safety of the goods.

“...The logistics capability of the third party logistics service providers which aggregate and optimize their internal and external resources to meet customers’

logistics requirement and achieve customers' logistics value. This capability consists of the logistics service capability which 3PL provide to meet the customers' personalized demand." (Qiao & Zhao, 2008)

Different products' features cause to different customers' demands. Therefore, fragile goods transportation directly related with demand management capability. Gligor and Holcom (2012) described demand management capability such that: *Product or service differentiation; service enhancement for continuous distinctiveness by targeting a given customer base; unique, value-added activities.* In other words, demand management capability based on product and service differentiation which refers to augmentation of distinction in products and services. However, this large product portfolio prevents to establish a relation into logistics service capabilities and fragile goods transportation.

2.6 Analysing of Relations between Innovative Logistics Services & Niche Market Strategy

Logistic service provider should be more innovative for to settle new market conditions. Desire to be innovative is rising by reason of new business trends and this situation become more important notion for logistic service providers.

Creating difference in logistics service depends on strong analyzing of company's current logistics capacity. Since, *"The capability of logistics system is a critical part of the firm's success in time of time-and quality-based competition."* (Mentzer et al., 2004). At this point of view, success of logistics services completely related with improving logistics capabilities and logistics services capabilities. There are two reasons for to be innovative for Logistic service providers. First one, to determine their services with respect to customer demand and expanding their logistic service into multiple service area. These reasons become main targets for logistic service providers (Langley et al., 2006; Lieb, 2005). This situation prove that logistic service provider have to be innovative for to create differences.

"In order to be a source for competitive advantage, the capability must also be rare, i.e. not possessed by many other competitors." (Sandberg and Abrahamsson, 2011).

Niche market strategy focuses on small customer groups who demand different services or products. Michaelson (1988) defined that niche market with these words “*finding small groups of customers that can be served within a segment.*” At this point of view, creating niche market in logistics sector directly related with providing innovative logistics service for customers that demand special services. “*The monopolistic rent is caused by a monopoly situation, i.e. when a company can earn money due to scarce competition rather than through more efficient usage of resources.*” (Sandberg and Abrahamsson, 2011). In other words, firms have to provide unique service and to specialize on unique service in order to create niche market. This situation highlights that innovative logistics service providers can create their niche markets and procure monopolistic situation with their innovative services.

Briefly, relation of niche market and innovative logistics services based on responding special demands with unique services. Therefore, this type of service must be rare and imperfectly imitable (Sandberg and Abrahamsson, 2011). In this way, logistics service providers create their niche markets, achieve monopolistic situation and gain sustainable competitive advantages with their innovative services.

2.7 Theory Gap Summary

According to literature review, some missing points are determined. Firstly, innovation researches mostly focus on product and process innovation and rarely service innovation. Secondly, to comprehensively understanding logistics service innovation, extensive and deeply researched are needed and service innovation, niche market in relation to logistics services has been neglected. Thirdly, innovative logistics service, which are provided by third party logistics service providers, and its relation with niche market strategy are underestimated. Fifthly, different properties of many products fall under in fragile goods concept, for this reason, fragile goods transportation can associate with logistics capabilities. However, this large product portfolio prevents to establish a relation into logistics service capabilities and fragile goods transportation. Finally, existing resources and acquired knowledge about fragile goods transportation and fine art logistics are limited in current logistics literature.

3. Research Questions

After literature review, these research questions are determined:

1. What is the difference between fragile goods transportation and Fine-Art Logistic activities?
2. What are the specific capabilities that are needed by Fine-Art Logistics?
3. How to improve these capabilities for to be sustainable?

RQ-1 will help readers to understand Fine-Art Logistic activities. Since, resource of this topic is limited in current literature. RQ-2 will provide some explanation of logistics capabilities that is needed by Fine-Art Logistics. RQ-3 will provide some explanation for to be sustainable in these logistics capabilities.

4. Research Method

This part of the study includes research method that is used in this study.

4.1 Scientific Approach

4.1.1 Qualitative Case Study Approach

As it known, qualitative researches involve interviews, case studies and surveys. In the light of these explanations the advantages of using qualitative research method as below (Conger, 1998; Bryman et al, 1988; Alvesson, 1996):

- Flexibility to follow unexpected ideas during research and explore processes effectively
- Sensitivity to contextual factors
- Ability to study symbolic dimensions and social meaning
- Increased opportunities:
 - To develop empirically supported new ideas and theories
 - For in-depth and longitudinal explorations of leadership phenomena
 - For more relevance and interest for practitioners

Because of these factors, qualitative case study approach is used in this study.

4.1.2 Literature Review

In the light of relevant books and scientific journal articles, the foundation of this study is built by reviewing the concepts of innovation & niche market and their relation in logistic service. In order to find theory gaps in the research a literature study was worked on that is related with innovation, niche market, innovation in logistics and logistic & logistic service capabilities.

Firstly, a literature review related with innovation and niche market was conducted. In addition to these, researches about service innovation, logistics innovation, literatures were searched. Secondly, logistic & logistics service capabilities are researched in order to expand research and to understand connection between niche market and innovative service.

4.1.3 Selection of Case Area and Analysing

In order to answer research questions and determine innovative service and niche market relation, different and special logistic services are researched and made a contact with some 3PL companies during the thesis process. Main focal point of research was fragile goods transportation and fine art logistics services. According to research and literature review some facts are detected about these two items' transportation:

- Fine art logistics operations are not performed by every third party logistics services providers.
- Fine art logistics operations consist of many different unique and value-added services.
- These two situations cause of an limitation in market.

Due to these special factors, fine art logistics activities became focal point of the study.

4.2 Research Process

4.2.1 Selection of Case Company

Providing professional fine art logistic service is quite new among third party logistics companies in Turkey. Finding and make contact with these companies is quite difficult because of this reason. During the thesis process, a lot of third party logistics companies are visited in order to make contact with fine art logistic service provider and getting more information about fine art logistics activities. In order to getting information about fine art logistic service, was made contact with Benice logistics as a result of conducted research.

4.2.2 Data collection

Data collection process based on interview that is realized with Benice logistics operation manager, literature review and internet researches.

4.2.3 Interview

The qualitative research interview seeks to describe and the meanings of central themes in the life world of the subjects. The main task in interviewing is to understand the meaning of what the interviewees say (Kvale, 1996). In addition to this, Kvale (1996) claimed that a qualitative research interview seeks to cover both a factual and a meaning level, though it is usually more difficult to interview on a meaning level.

Moreover, Valenzuela and Shrivatsava (2009) claimed that the aspects of qualitative research interviews are:

- The interviewer based on what the respondent says completes interviews.
- Interviews are a far more personal form of research than questionnaires.
- In the personal interview, the interviewer works directly with the respondent.
- Unlike with mail surveys, the interviewer has the opportunity to probe or ask follow up questions.
- Interviews are generally easier for respondent, especially if what is sought is opinions or impressions.
- Interviews are time consuming and they are resource intensive.
- The interviewer is considered a part of the measurement instrument and interviewer has to well train in how to respond to any contingency.

Furthermore, Valenzuela and Shrivatsava (2009) stated that there are 4 types of qualitative research interviews. These are:

Informal, conversational interview: No predetermined questions are asked, in order to remain as open and adaptable as possible to the interviewee's nature and priorities; during the interview the interviewer "goes with the flow".

General interview guide approach: The guide approach is intended to ensure that the same general areas of information are collected from each interviewee; this provides more focus than the conversational approach, but still allows a degree of freedom and adaptability in getting the information from the interviewee.

Standardized, open-ended interview: The same open-ended questions are asked to all interviewees; this approach facilitates faster interviews that can be more easily analyzed and compared.

Closed, fixed-response interview: Where all interviewees are asked the same questions and asked to choose answers from among the same set of alternatives. This format is useful for those not practiced in interviewing.

In the light of the qualitative research interview's knowledge, we decided to do face to face and using general interview guide approach of interview. Our interviewer company was in Turkey and interview is conducted in two days. In Turkey, we meet with the operation manager of Benice Logistics (Fine Art & Relocation) in the office (2012.04.16). In the first day, we asked whole questions and it took 6 hours. The second day (2012.04.17), we examined the shipment process. During the interview seventeen questions are asked in order to cover the topics of discussion. Some questions are selected that are used during the interview. They are listed below:

1. What kind of services that Benice Logistics provide to customers?
2. Are there any standards or any commission for fine art logistics?
3. Could you tell us the benefits of innovation that gain to Benice Logistics?
4. Could you tell us the differences between classic transportation and fine art transportation according to benefit-cost analysis?
5. Do you think that focusing fine art logistics have potential risk in spite of being a niche market?
6. What do you think about fragile goods transportation?

During the interview approximately twenty five questions are asked to Benice Logistics operation manager. Some critical points about fine art logistics and fragile goods transportation are detected with some questions' answers during the interview.

Mr. Corduk expressed his thought about fragile goods transportation such that; fragile goods transportation and fine art logistics activities are not same because of used different method and techniques. Benice Logistics operation manager explained fine art logistics activities such that; Fine-Art logistics services are performed based on two core features. First one is customer demand and item's feature. Other one is to find and

use proper packaging techniques. In addition to this, Mr Corduk emphasized that generally items that are transported by us have different characteristic properties, because of this situation we find and use unique service for this special items. After that Mr Corduk added that, In Benice Logistics, packaging materials are produced in two types; "controlled" or "non-controlled". Controlled packaging materials able to protect heat and humidity changing and are chosen for shipment methods that are very sensitive and also valuable. Differences between fragile goods transportation and fine art logistics activities are clarified with these statements.

Focal point of these questions is to understand completely, relation between innovative services, fine art logistics activities and niche market strategy. Contact details of the interviewee are as follows.

Önder Çördük

Operation Manager / Fine Art

Benice Logistics | Fine Art & Relocation

www.benice.com.tr

4.2.4 Research Quality

Yin (2003) proposed four conditions in order to determine quality of research. These four conditions are discussed as below:

Construct validity

Construct validity related with measurement process and data collection techniques. Yin (2003) stated that it can be problematic issue during case studies. Since data collection process may effect by inappropriate measurement methods and "subjective" judgments. Therefore, different source of data is used during data collection process. Such as; company's website, other 3PL companies, emails, face-to-face interviews, telephone conversations and internal material, which was obtained in initial introductory meetings. In addition to these, during the interview, audio recorder was used in order to minimize missing points. In the last part of case study, our findings are presented to Benice

Logistics for review and verification. After verification, interviewee's comments were considered by us.

Internal validity

Internal validity represents connection between specific events which lead to other events within the researched topic (Yin, 2003). In the interview process a lot of different questions are used for to reach better perspective about fine art logistics and its relation with innovative services. Innovative service in third party logistics and covered the context of 3PL innovation is also considered. In addition to this, other questions are asked which is related to the firm's activities, processes, implementations and problems. We payed attention for some facts during the interview for to eliminate commercially impacts and reduce preconceptions. Furthermore, some detailed questions are also asked which are different than general questions. However, these detailed questions and answers are not published because of the company's policies.

External validity

Yin (2003) emphasized that external validity can be obstacle in case studies. If one case study is used as sample, it can be difficult for generalization with current findings. (Yin, 2003). During the thesis process, we faced with some difficulties because of limited resources in logistics literature. Fine art logistics is quite new topic for current logistics literature and the existing studies not cover fine art logistics activities. Providing professional fine art logistic service is quite new among third party logistics companies in Turkey. Finding and make contact with these companies is quite difficult because of this reason. In order to accomplish case study Benice Logistics' fine art logistics activities are investigated and made contact with operation manager for getting further information about fine art logistics.

This study is prepared in order to contribute logistics literature about fine art logistics activities, innovative third party logistics service and niche market strategy relation and how innovation creates new opportunities with innovative services for third party logistics service providers. Therefore, related and similar previous case studies are reviewed, existing theories are compared and some criterias are used for case selection in order to support further researches.

Reliability

Reliability is most commonly used test in research quality evaluation. Moreover, if other researchers repeat the research with the same company and the same data, it ensures that same result will obtain. (Yin, 2003) It testifies that, if researchers follow identical procedures on their researches with respect to previous researches and advices given by other researchers about research area and case study. (Yin, 2003)

Because of individual character of researchers the case understudy hence implementing of reliability test is not always possible. Therefore, researchers should be documented the study to protect reliability. Before the company interview all inexplicit and confusing points have been documented. Moreover, in order to minimize risk of losing data, all parts of conversation during interview have been recorded.

In addition, reliability of this study includes these informations: Interviewee's name, phone number, e-mail address', company name, interviewee's position, interview questions and all original documents from the case company.

5. Findings

5.1 Overview of the Company

Benice Logistics (Fine Art & Relocation) was established in Istanbul, 2008. Benice Logistics is a 3PL company but it mostly focuses on fine art transportation. That is why; it is not a typical 3PL company. Therefore, Benice Logistics tries to provide the best service to its customers. In addition to this Benice Logistics tries to collect all the bests of 3PL companies within itself. Moreover, In Benice Logistics, there are 11 employees and 4 vehicles. The gross revenue in 2011 was 12 million SEK.

5.2 Activities of the company

Benice Logistics provides these services:

Packing – International fine art packing standards

Crating – Standard Quality, Museum Quality and Climate Crate

Forwarding – Air, Road and Sea

Museum & Gallery Service – Installation and fixing of artworks.

Customs Brokerage – Import-Export formalities based on temporary and permanent basis

Origin & Destination Service – By cooperating fine art logistics provider companies at origin and destination countries

5.3 Competitors

By the reason of being new in the market, Benice Logistics has some competitors in Turkey. One of the most well-known 3PL companies is Asya Logistics and Bergen Logistics.

Bergen Logistics is the first 3PL company that started fine art logistics in Turkey. After that Asya Logistics started and lots of 3PL companies tried to survive in this sector. However, in the contrast with new established, Benice Logistics makes progress and gets 2.nd biggest market shares in Turkey in the last 3 years.

5.4 Customer portfolio

Benice Logistics' manager Mr. Onder Corduk stated that fine art transportation service is mostly used by:

- National / International art galleries
- Art museums, art schools, art collector companies
- Artists

Furthermore, Benice Logistics provides service as a moving company for special customers.

5.5 General view of Market (Benice's Perspective)

Benice Logistics operation manager emphasized that, increasing sales, getting profit and decreasing costs are the common view of companies. However, most of company ignores to analysis its own located market values. It is a kind of necessity when companies decide to make innovation. It should be known that how customers react to innovative activities.

Benice Logistics is just new established and this situation causes advantages and disadvantages. To be established new, on the one hand, provides to open innovation activities in the company. It is more flexible and its reaction time is shorter instead of white shoe firms.

As a result of the interviews with Benice Logistics show that importance of innovation to differentiate and getting bigger market sharing into market. Of course, it is not happened in a short period. Benice Logistics determined some specific points that crucial for making innovation into the market.

5.6 Innovation activities in the company

Benice Logistics' manager Mr. Onder Corduk defines innovation into 4 expressions:

- Following hardware industry that use for packaging fine art works, using the beneficial ones without hesitation.
- Providing employees' training for packaging and handling fine art works in a correct way.
- In periodically, having an exchange of ideas with other companies that do the same job.
- To integrate technology, electronic devices in company's routine as far as possible.

In addition to that, Benice Logistics' manager Mr. Onder Corduk mentioned about some associations for new services and service standard. These are ICEFAT and ARTIM.

ICEFAT and ARTIM are the organization that provides companies to catch up with the same standards all over the world. ICEFAT (International Convention Of Exhibition & Fine Art Transporters) organization has 78 members in 34 countries. "Each member specializes in handling and shipping works of fine art, artifacts and antiquities for museums, galleries and dealers, corporate and private collectors and the premier auction houses."

To be a member of ICEFAT, the company has to supply some requirements:

- Minimum of five years experience in the field
- Performed and worked with several members, those of which support the application
- Demonstrated responsibility in financial matters

"ARTIM (Art International Meeting) is an annual meeting of the world's leading fine art logistics companies who provide museum quality fine art packing, transport, shipping, storage and installation services for Museums, Galleries, Dealers, Corporate & Private Collectors and Auction Houses."

According to ICEFAT, who relate to fine art logistics it has to educate its employees. Mr. Onder Corduk stated that our drivers are both trained and interested in working with technical value-added services. That is why Benice Logistics also educates its employees. It contains from driver to manager.

5.7 Difficulties during implementation

In the rapid technological and economical development, most companies face with many difficulties during implementation of innovative steps.

Benice Logistics also has had difficulties at the beginning. Completely different processes and to forget what they did before obstructed the progress. At the beginning, to break the routines, they attended lots of training about fine art logistics. Not only managers but also the labors were made it obligatory. After that, they said that to break the routines were not easy but in this way we work nearly zero damage due to our mistake.

Another important point they stated that time and money dilemma. Benice Logistics tries to follow technological development but sometimes because of some unpredictable changing in the processes make obligatory to spend much more money to progress and keep up with other fine art logistics companies because to loss only one customer means lose money, lose market share, lose time and so on. However, sometimes, because of timelessness cause the same effects.

5.8 Benefits of innovation for company

Benefits of innovation differ from company to company. However, as it known that innovations can also improve organizational efficiency; provide higher quality and on time services to citizens; reduce business transaction costs; and provide new methods of operation (The Australian National Audit Office).

In Benice Logistics, the benefits of innovation come with its own definition of the 4 expression of innovation such as following latest developments of packaging materials, training of employees, having an exchange of ideas and integration of technology in

company's routine. In other words, Benice Logistics provides benefits of innovation with value added services.

Benice Logistics' manager Mr. Onder Corduk told us a story about how they decided to do this job and earned money. Mr. Corduk stated that *“People want to buy the best television, the best stereo, the best car, and the best household goods and so on but they never want to pay more money to transport one place to other place so most of household goods are broken or damage because of unprofessional transport firms or to be economic.”* After that, Mr. Corduk added that *“At the beginning, we tried to tell what could be happen during the shipment and tried to persuade the customers with our value added services; they pay more money but they are still using their products.”*

5.9 Benice Logistics' Activities in market

5.9.1 Public relationship and channels

Mr Corduk stated that, making contact with customer important step for fine art logistic service. Moreover, he said that *“Presenting service qualification and understanding customer service demand are core competence for our work.”* For this reason, public relationship is essential factor for Benice Logistics for to expand customer portfolio.

According to our interview, Benice Logistics' customer contact process can summarize with this way; process based on three steps. These are determining potential customer demand, getting appointment and presentation of services. In this way, they contact potential customer directly.

Furthermore, Benice Logistics has connection with ICEFAT members in order to make cooperation with these members for oversea shipments.

5.9.2 Provide value to customers

Benice Logistics operation manager emphasized that satisfying customer is golden rule for fine art transportation. Benice Logistics is aware of this important rule and develops different ways to provide value to customers. Benice Logistics operation manager explained fine art logistics activities such that: Fine-Art logistics services are performed

based on two core features. First one is customer demand and item's feature. Other one is to find and use proper packaging techniques.

The main goal in packaging is to protect the fine art works from any physical or environmental hazards. In Benice Logistics, packaging materials are produced in two types; “controlled” or “non-controlled”. Controlled packaging materials able to protect heat and humidity changing and are chosen for shipment methods that are very sensitive and also valuable. Non-controlled packaging materials are able to protect the fine art works from heat and humidity changing and also from shock.

Fine art works are sent by air, sea and road transport in Benice Logistics. The main criteria to determine the transportation mode depend on distance between two addresses, nature of fine art works and budget allocated from customer. Of course, different types of transportation mode occur advantages and disadvantages. These factors should be considered before the shipment to minimize risks. Benice Logistics, to minimize these kinds of risks, provides insurance and security services to customers. In addition, trucks are equipped with GPS, air suspension and climate control for better protection of the fine art works

According to Mr Corduk statements, customer demand, demand management capability, logistics service capability and fine art logistics service relation is summarized with figure 7.

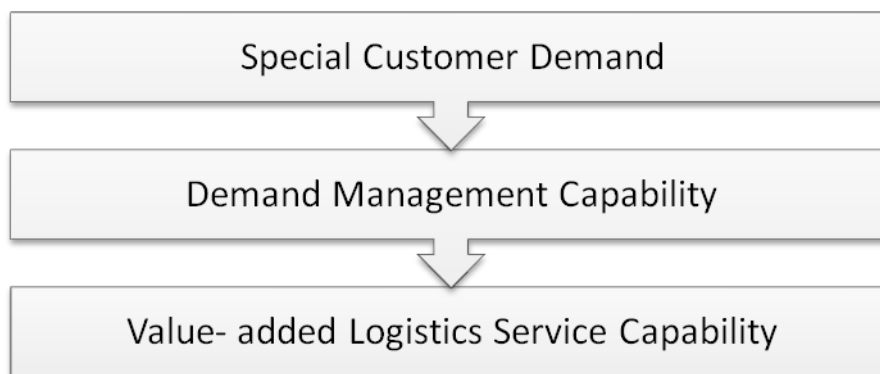


Figure 7: Demand and logistics & logistics service capabilities relations for fine art logistics transportation

5.9.3 Technology

Nowadays' 3PL companies mostly use technology to record and analyze information. It provides to save time, reduce costs and so on. On the other hand, Benice Logistics use technology for innovate their services. For instance, special crates, special heat conductor trucks to minimize damage risks during the shipment. In addition, GPS provides to online tracking. Packaging with untouched by human hands.

5.9.4 Some Examples of Benice Logistics' Shipment

Subject: Transportation of below detailed fine art shipment from Istanbul to Abu Dhabi and return of same shipment to Istanbul and related fine art services.

Number of crates: 16

Number of paintings: 150

Volume weight of shipment: 2.928,00 kg

Value of shipment: Value of each single work is not more than 5.000 Euro

Table 4: Shipment from Istanbul to Abu Dhabi

Istanbul – Abu Dhabi (Up to Abu Dhabi Airport)	Price
Building 16 crate (above listed)	€ 4.440,00
Providing soft packing materials	€ 450,00
Labor of per art handler per hour, min. 2 men (EUR 25)	TBC
Each pick up (EUR 150)	TBC
Transportation of all works to museum to obtain museum report	€ 220,00
Transportation of all crates to Airport Istanbul, airport handling	€ 25,00
Documentation, organization	€ 85,00
Customs export clearance on temporary basis	€ 400,00
Supervising customs examination	€ 80,00
Air freight Istanbul – Abu Dhabi based on (2.929 kg)	€ 7.119,60
TOTAL	€ 13.044,60

Table 5: Shipment from Abu Dhabi to Istanbul

Abu Dhabi – Istanbul (Free arrival to Istanbul airport)	Price
Customs reimport clearance formalities	€ 400,00
Supervising customs examination	€ 80,00
Loading of all crates into our fine art vehicle, airport handling and transportation to our warehouse	€ 180,00
Warehouse in/out	€ 45,00
Each delivery (EUR 150)	TBC
Labor of per art handler per hour, min. 2 men (EUR 25)	TBC
Documentation, organization	€ 85,00
TOTAL	€ 790,00

TBC: To Be Calculated

Not Included:

- Working at weekends and late hours
- Insurance Premium
- Airline THC documentation fee (Reimport)
- Customs storage fee (Reimport)
- Fiscal Stamp fee (Export - Reimport)
- Airport entry fee (Reimport)

Another example is for comparison of Benice Logistics and another 3PL company.

Subject: International removal of approximately 47 cbm household goods, full origin service in Istanbul, customs export formalities and transport via hard body truck to Frankfurt.

Table 6: Shipment Istanbul to Frankfurt

Shipment Istanbul to Frankfurt	Price
Pick up, dismantling of furniture, properly packing, loading into truck	€ 3.100,00
Shuttle service	€ 300,00
Supply of 1 wooden crate for plasma TV	€ 90,00
3 rd . party services (electricians for lamps; curtain)	€ 300,00
Transportation, accommodation and feeding fees in Bursa (3 packers + 3 porters/ 2 days)	€ 750,00
Delivery of approximately 6 cbm to 2 nd . Address in Istanbul	€ 200,00
Customs export formalities	€ 350,00
Consolidated truck rate Istanbul – Frankfurt / hard box truck	€ 3.950,00
TOTAL	€ 9.040,00

Transit time: Approx. 8-9 days

Not Included:

- Transport insurance
- Destination service

According to online price of freight ,co47 cbm is equal to 40’ container. Nowadays, the shipment from Istanbul to Frankfurt via 40’ container is just approximately €2200 with the same constraints. (www.nakliyeilani.com)

5.10 Risks for Benice Logistics

First of all, risk concept should be clarified. Hardaker, Brian, Raud and Jock (1997) stated that risk could be defined as imperfect knowledge where the probabilities of the possible outcomes are known, and uncertainty exists when these probabilities are not known.

$$\text{Risk} = \text{Probability (of a given event)} \times \text{Severity (negative business impact)}$$

Source: March, J. G. & Shapira, Z. (1987): Managerial perspectives on risk and risk taking

The process of supply chain risk management stated by Closs and McGarrell (2004):
“The application of policies, procedures, and technologies to protect supply chain assets from theft, damage or terrorism, and to prevent the unauthorized introduction of contraband, people or weapons into the supply chain.”

According to these information, it can be said that there are many types of risks such as business risk, social risk, economic risk, safety risk, investment risk, military risk, political risk, etc.

Benice Logistics had faced with these types of risks. When Benice Logistics started to do fine art logistics they pulled out of cargo transportation. In any contingency during to focus on fine art logistics, cargo transportation would be safety measure but it can be cause business, investment and economic risks. In addition, Benice Logistics, at the beginning, always offers customers to make insurance but after they see to lose customer confidence and stop to say it. On one hand it is right not to lose customer confidence but this can be cause safety risk.

6. Analysis & Discussion

This chapter includes analysis of findings with respect to literature review and interview. The main aim of this chapter is to provide basis for answering to determined research questions.

6.1 Innovation in Logistic Service Sector

As stated by (Busse & Wallenburg 2011) innovation is positive contributor for becoming successful firm. Logistics service provider should be more innovative for to settle new environmental trend. For this reason, desire to be innovative of logistic service providers is increase with new business trends. There are three reasons for to be innovative for Logistic service providers. Busse & Wallenburg (2011) addressed Langley, Lieb Jensen and Stelling, Oster and Strong, in order to explain three reason of to be innovative. First one, to determine their services with respect to customer demand and expanding their logistic service into multiple service area are become main targets for logistic service providers (Langley et al., 2006; Lieb, 2005). Second is competition that is result of globalization (Langley et al., 2005). The last one is deregulation (Jensen and Stelling, 2007). Deregulation cause cost and quality competition, in this way, there is a competitive pressure is occurred (Oster and Strong, 2000). Because of this fact, Logistic service providers have to be innovative.

Busse & Wallenburg et al. (2011) stated that successful innovation process generates economical benefit for firms.

Caphman (2002) listed benefits of innovation as follows:

- The achievement of greater efficiency
- Increased customer satisfaction
- Better strategic planning
- More flexibility and adaptation to market changes
- Improved decision making
- Rapid and flexible supply-chain management processes
- Other benefits leading to rapid innovation capabilities

Fine art logistics services include many unique and value added services. These types of services consist of innovative activities' results. For this reason, Benice Logistics is aware of this situation and the importance of innovation. That is why, perspective of innovation in Benice Logistics is not limited with their services. Therefore, innovation is penetrated all organization in Benice Logistics. This notion enables to settle new market trends rapidly. In addition, Benice Logistics gain competitive advantage in fine art logistics service providers with its innovative perspective.

6.2 Third Party Logistics Service Providers Concept

Ewing (2009) stated that many of firms are in demand for to outsource logistic activities. They aimed that to reach quickly their markets and customers. Lieb et al. (1993) defined outsourced logistics services as *the use of external companies to perform logistics functions that have traditionally been performed within an organization. The functions performed by the third party can encompass the entire logistics process or selected activities within that process. Thus, there are definitions that differentiate themselves with time period of given logistics service.*

Lukassen and Wallenburg (2010) stated that third party logistics service provider is a company which have ability to provide multiple logistics services that covers great deal of logistics operations.

In addition to this, Lieb and Bentz, (2005) gives some examples of services in their study that are provided by third party logistics service providers. These are; freight forwarding, freight payment, shipment consolidation, customs brokerage, product returns, reverse logistics, etc.

Benice Logistics services are not outsourced by every customers, because of their performing area in the market. Specific customer portfolio of Benice Logistics includes some organizations that related with fine art. However, Benice Logistics provides all services that provided by classic 3PL companies.

6.3 Analysing of Relations between Innovative Logistics Services & Niche Market Strategy

Logistic service provider should be more innovative for to settle new market conditions. Desire to be innovative is rising by reason of new business trends and this situation become more important notion for logistic service providers.

Creating difference in logistics service depends on strong analyzing of company's current logistics capacity. Since, "*The capability of logistics system is a critical part of the firm's success in time of time-and quality- based competition*" (Mentzer et al., 2004). At this point of view, success of logistics services completely related with improving logistics capabilities and logistics services capabilities. There are two reasons for to be innovative for Logistic service providers. First one, to determine their services with respect to customer demand and expanding their logistic service into multiple service area. These reasons become main targets for logistic service providers (Langley et al., 2006; Lieb, 2005). This situation prove that logistic service provider have to be innovative for to create differences.

"In order to be a source for competitive advantage, the capability must also be rare, i.e. not possessed by many other competitors" (Sandberg and Abrahamsson, 2011).

Niche market strategy focuses on small customer groups who demand different services or products. Michaelson (1988) defined that Niche Market with these words "*finding small groups of customers that can be served within a segment.*" At this point of view, creating niche market in logistics sector directly related with providing innovative logistics service for customers that demand special services. "*The monopolistic rent is caused by a monopoly situation, i.e. when a company can earn money due to scarce competition rather than through more efficient usage of resources*" Sandberg and Abrahamsson (2011). In other words, firms have to provide unique service and to specialize on unique service in order to create niche market. This situation highlights that, innovative logistics service providers can create their niche markets and procure monopolistic situation with their innovative services.

Briefly, relation of niche market and innovative logistics services based on responding special demands with unique services. Therefore, this type of service must be rare and imperfectly imitable Sandberg and Abrahamsson (2011). In this way, logistics service

providers create their niche markets, achieve monopolistic situation and gain sustainable competitive advantages with their innovative services.

Benice Logistics internalized innovation concept to provide unique and value added service for to respond special customer's demand. In this way, this situation enables to establish a relation between fine art logistics operation and logistics & logistics service capabilities. Benice Logistics focuses on a small group of customer within fragile goods transportation market with their logistics and logistics service capabilities. This refers that, Benice Logistics implements ultra focus niche strategy in customer-oriented niche market. In other words, Benice Logistics creates specific area for to perform their services in fragile goods transportation market.

6.4 Analysing of Case Area

Lai (2004) stated that, Importance of logistics increased with rising of competitive coercion and globalization in business world. For this reason, many companies have started to consider logistics in their business strategy. This situation reveals importance of quality and difference in service for logistics service providers. In other words, logistics service providers have to provide quality service and have to create differences in their services.

Moreover, Hu (2010) stated that there are two main aims in traditional logistics transportation. First aim is reducing transportation risks, costs and time. Second aim is increasing customer satisfaction. However, logistics service providers use different methods with respect to properties of goods. Therefore, customers choose logistics services provider with respect to its logistics & logistics service capabilities.

In order to answer research questions and determine innovative service and niche market relation, different and special logistic services are researched and made a contact with some 3PL companies during the thesis process. Main focal point of research was fragile goods transportation and fine art logistics services. According to research and literature review some facts are detected about these two items' transportation. For instance, fragile goods transportation and fine art logistics activities are performed differ from other products transportation. However, despite these types of similarities, some differences are detected between fragile goods and fine art with logistics activities

with respect to Benice logistics' interview. For example, fine art logistics services are not provided by every third party logistics providers. This situation indicates that, fine art logistics service providers have specific capabilities for fine art logistics operations. These types of services are more expensive than classical services and it includes unique and value-added service. This situation indicates that, these types of operations based on innovative services. These two factors cause of a limitation among third party logistics providers in the market. Due to these special factors, fine art logistics activities became focal point of the study.

6.5. Fragile Goods Transportation & Fine Art Logistics Activities

Fragile goods are kind of products that have less endurance. Therefore, they need some consideration and there are some constraints during transportation. Fragile goods concept has wide-scale product portfolio. For this reason, different properties of many products fall under in fragile goods concept.

As indicated in definition, fragile goods have poor rigidity and special nature of these goods causes of some constraints during transportation process. For this reason, transportation safety is important issue for fragile goods firms. In addition to this, minimizing broken risks become new aim for logistics service providers (Hu 2010). Therefore, logistics service providers have to consider all factors during transportation process in order to endure safety of the goods.

Different products' features cause to different customers' demands. Therefore, fragile goods transportation directly related with demand management capability.

However, this large product portfolio prevents to establish a relation into logistics service capabilities and fragile goods transportation.

Benice Logistics operation manager explained fine art logistics activities such that; Fine-Art logistics services are performed based on two core features. First one is customer demand and item's feature. Other one is to find and use proper packaging techniques. In addition to this, Mr Corduk expressed his thought about fragile goods transportation such that; fragile goods transportation and fine art logistics activities are not same because of used different methods, techniques and value-added services. The

main goal in packaging is to protect the fine art works from any physical or environmental hazards.

At this point of view, this situation seems similar with fragile goods transportation. However, difference between fine art logistics and fragile goods transportation is, fine art logistics operation consists of unique and value-added services with respect to Benice logistics' operation manager statements. This situation enables to establish a relation between fine art logistics operation and logistics & logistics service capabilities. According to Mr Corduk statements, customer demand, demand management capability, logistics service capability and fine art logistics service relation is summarized with figure 7.

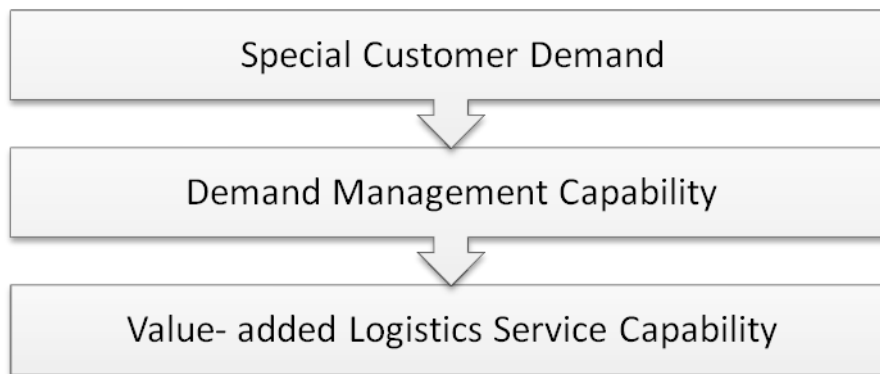


Figure 7: Demand and logistics & logistics service capabilities relations for fine art logistics transportation

Sustainability of these capabilities is another important point for fine art logistics service providers. As stated by Mr Corduk, fine art logistics service includes unique and value-added services. For this reason, fine art logistics service providers need to improve their services and to reach sustainability in their services. In the light of literature review, we can say that Innovation is positive contributor for becoming successful firm (Busse & Wallenburg, 2011). And there is a strong relation between innovation and competitive advantage (Grawe, 2009).

As it shown in figure, this situation is summarized by Grawe (2009) in logistics Innovation model.

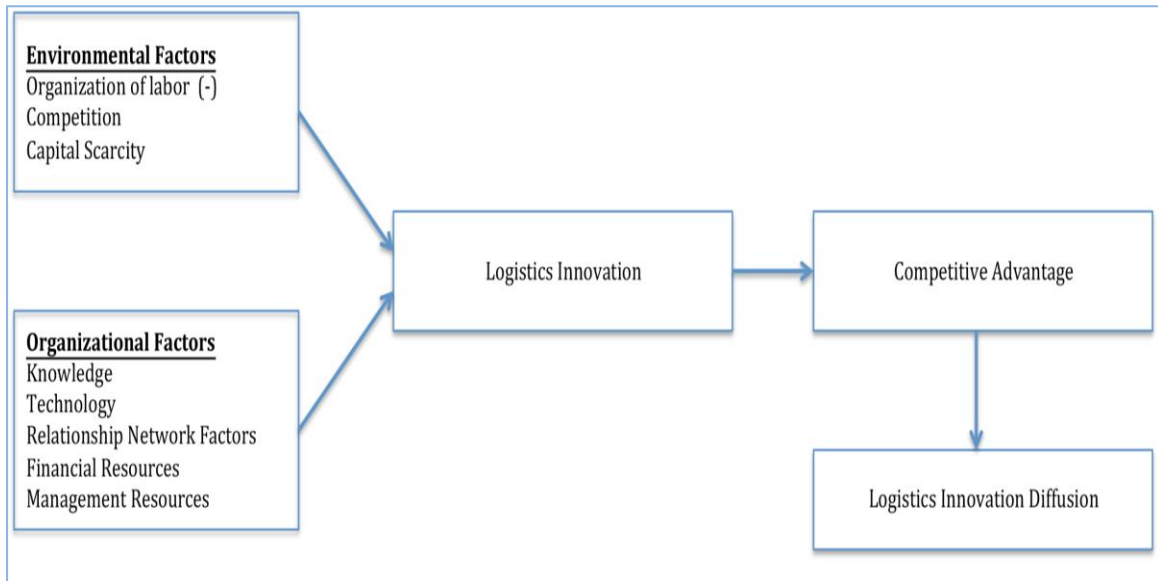


Figure 5: Logistics Innovation Model (Grawe, 2009)

As shown in figure5, logistics innovation based on environmental and organizational factors, logistics innovation creates competitive advantage then logistics innovation diffusion occurs.

In addition to this, as Bajec (2012) expressed innovation in logistics depends on four approaches and clarified these approaches such that:

- **Full standardization, no customization:** This approach refers to improving standard services without considering to specific customer requirements
- **Full customization, no standardization:** This approach refers to only customized solution without considering standard services modules.
- **First standardization, then customization:** This approach refers to offering standard service, which is a regulated customer specific requirement.
- **First customization, then standardization:** This approach refers to improving customer-specific solution and improving standard service.

In addition to this, Bajec (2012) claimed that innovation behavior of logistics services providers focus on directly customer oriented activities. However, logistics service provider should consider equally both customer and service sides.

Furthermore, types of logistics service providers' innovation handled by Wallenburg (2009). According to Wallenburg (2009), innovation by LSPs is divided into two sections: Internal and customer-related innovations. Internal innovation is directly related with logistics service provider's efficiency. Wallenburg (2009) gave some examples about these types of innovations such as using fuel-efficient vehicles or routes. The main aim of these types of innovation is to increase efficiency.

Another section is customer-related innovation. This section covers customer-oriented innovations. According to Wallenburg (2009), customer-related innovation consists of two main parts: Multi-customer-related innovation (Market innovation), single-customer-related innovation (Relationship-Specific). Multi-customer-related innovation focuses on the whole market that improves the competitiveness of the firm. However, according to Wallenburg (2009), it focuses on particular customer demands. These are the main distinctions between these innovations. In addition to this, single-customer-related innovation consists of two sub-classes, which are innovations in on-going relationships and innovations at the beginning of the customer-shipper relationship.

According to Wallenburg (2009), these types of innovations are directly related with customer demands and innovations in on-going relationships divided with respect to this situation: Reactive and proactive innovation. Proactive innovation consists of two sub-classes, which are proactive cost improvement and proactive performance improvement. Innovations by LSPs are demonstrated in figure 6.

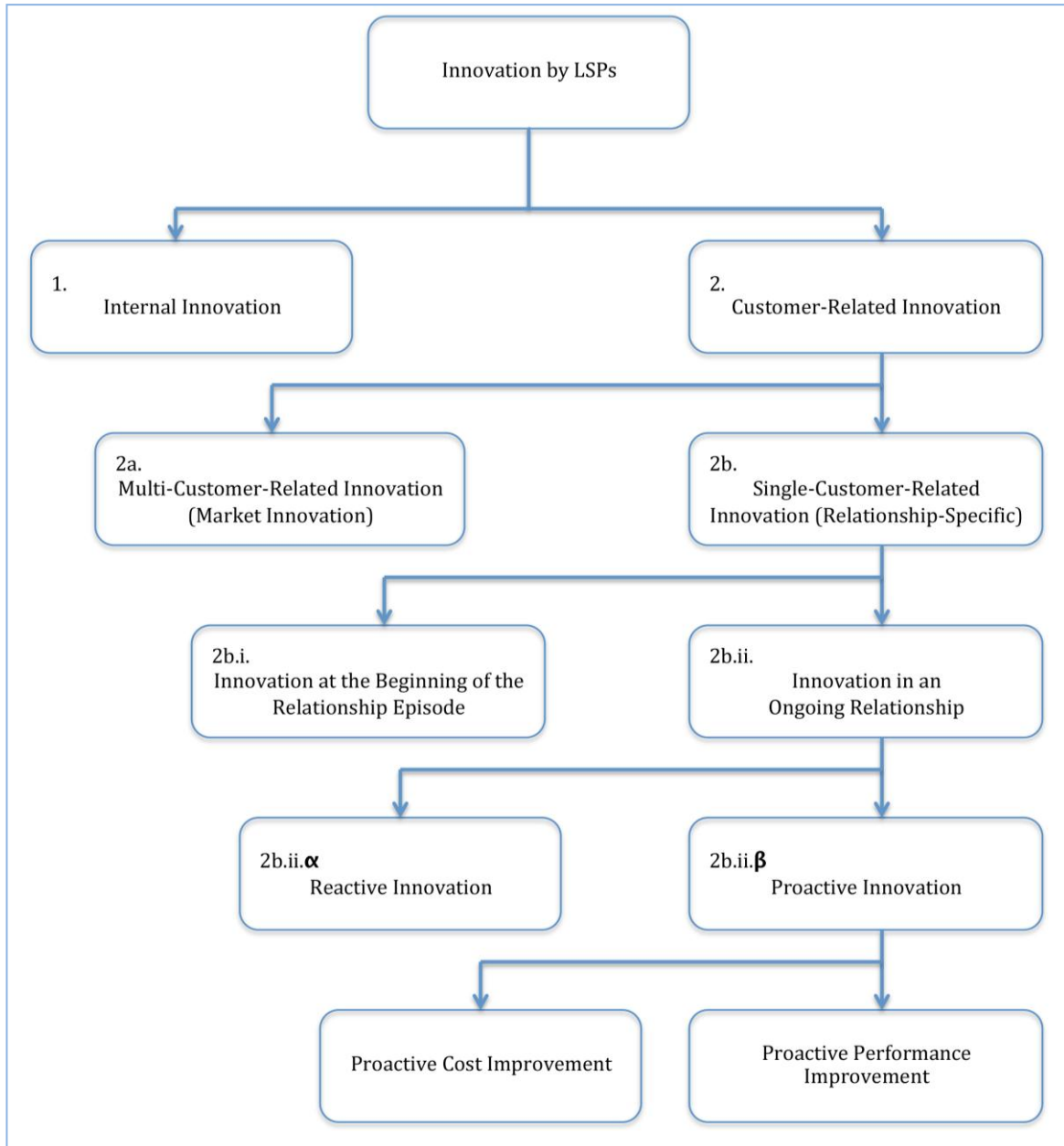


Figure 6: Classification of innovations by LSPs (Wallenburg, 2009)

Briefly, Firms must be innovative for sustainable developing service and to settle changing environment. As Joseph Schumpeter (1934) emphasized that lack of innovation and related innovative activities are result of steady state. In order to be innovative, logistics service providers have to invest for innovative activities. Despite innovation investments are costly; they provide sustainability in long term (Straube, F., Pfohl, H. 2008). As discussed literature review part of the study relation of niche market and innovative logistics services based on responding special demands with unique services. Therefore, this type of service must be rare and imperfectly imitable (Sandberg

and Abrahamsson, 2011). In this way, logistics service providers create their niche markets, achieve monopolistic situation and gain sustainable competitive advantages with their innovative services.

7. Conclusion & Recommendations for Further Studies

This chapter aim is to provide holistic answers for determined research questions. Research questions were answered with respect to thesis' literature review and findings of the study.

Logistic service provider should be more innovative for to settle new market conditions. Desire to be innovative is rising by reason of new business trends and this situation become more important notion for logistic service providers. Creating difference in logistics service depends on strong analyzing of company's current logistics capacity. Since, customers logistics services providers are chosen by customers with respect to their logistics & logistics service capabilities.

There are some research questions are determined for to reach aim of the study. First research questions is to determine differences between fragile goods transportation and fine art logistics. Second research question is to determine specific logistics capabilities that are needed by fine art logistics activities. In order to answer these questions, logistics & logistics service capability concepts are used in this study. As discussed in analysis & discussion part of thesis, fragile goods are kind of products that have less endurance. Therefore, they need some consideration and there are some constraints during transportation. Moreover, fragile goods concept has widescale product portfolio. For this reason, different properties of many products fall under in fragile goods concept. Different products' features cause to different customers' demands. Therefore, fragile goods transportation directly related with demand management capability.

However, this large product portfolio prevents to establish a relation into logistics service capabilities and fragile goods transportation. For this reason, fragile goods transportation covers all key logistics service capabilities that are stated by study of Qiao and Zhao (2008).

According to interview with Benice Logistics operation manager, fine art logistics activities directly related with demand management capability and fine art logistics service based on value-added services. Mr Corduk emphasized that generally items that are transported by us have different characteristic properties, because of this situation Benice logistics determines and uses unique service for these special items. As stated

by Qiao and Zhao (2008) value-added service focuses on unique services which enable to improve firms' success. According to Mr Corduk statements, customer demand, demand management capability, logistics service capability and fine art logistics service relation is shown with figure 7.

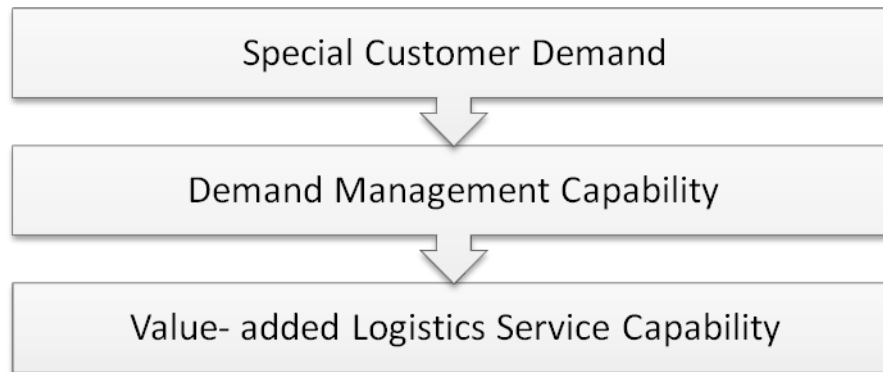


Figure 7: Demand and logistics & logistics service capabilities relations for fine art logistics transportation

As shown in the figure 7, fine art logistics activities based on value-added logistics services for transportation. Since, main aim of fine art transportation minimize damage risk and to protect endure and originality of the products. Therefore, consideration points of fine art transportation are responded by value-added logistics service capabilities.

Last research question is how to improve these capabilities for to be sustainable in fine art logistics services. Creating difference in logistics services depends on strong analyzing of company's current logistics capacity. Since, *the capability of logistics system is a critical part of the firm's success in time of time-and quality- based competition* (Mentzer et al., 2004). At this point of view, success of logistics services completely related with improving logistics capabilities and logistics services capabilities.

"....Additionally to globalization the logistics industry is harassed by increasing sustainability requirements, increasing security regulations and technology innovation expectations" (Straube, F., Pfohl, H. 2008).

In addition to this, third party logistics service providers must be innovative for to reach sustainable development in their services and to settle changing environment. As Joseph Schumpeter (1934) emphasized that lack of innovation and related innovative

activities are result of steady state. In order to be innovative, logistics service providers have to invest for innovative activities. Despite innovation investments are costly; they provide sustainability in long term (Straube, F., Pfohl, H. 2008). As discussed in literature review of the study, relation of niche market and innovative logistics services based on responding special demands with unique services. Therefore, this type of service must be rare and imperfectly imitable (Sandberg and Abrahamsson, 2011).

In this way, logistics service providers create their niche markets, achieve monopolistic situation and gain sustainable competitive advantages with their innovative services.

This study concludes that, third party logistics service providers should be more innovative for settle new business trend and in this way they can create new opportunities and new specializing areas with innovative services.

Future Researches

This thesis based on analyzing of one case company from the fine art logistics service sector with respect to literature review which covers relation between innovative service and niche market strategy. However, deeply quantitative analysis is necessary in order to generalize the study.

In addition, further researches should cover customer side in order to analysis and compare both service provider and customer perspectives. Besides, analysis of more than one case companies enable deeply and generalize the acquired knowledge.

Some recommendations for further researches are listed below:

- A deeply quantitative study is needed
- The customer' side and different services should be examined
- A comparison between different companies, which have several sizes, would provide a better understanding for logistics innovations and niche market relations.

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9. Appendix

Interview Questions

These are not all the interview questions. Some detailed questions are not listed because of proprietary information.

1. Could you tell us something about Benice Logistics? When did it establish, its mission and vision, turnover, number of employees, and so on?
2. What kind of services that Benice provide to customers?
3. Could you tell us your customer portfolio? Why do customers choose Benice logistics?
4. Do you have any collaboration to complete process in overseas shipment?
5. Are there any standards or any commission for fine art logistics?
6. Do you have any competitors in the market?
7. What do you think about innovation? How do you define that?
8. What kind of innovation had done in Benice?
9. Could you describe the innovation process in Benice?
10. Do you have any plan for further innovation?
11. Does Benice logistics provide training of employees? What kind of training are they?
12. Does your manager support innovation? How?
13. What kind of difficulties that you faced before and after the innovation?
14. Could you tell us the internal and external factors that you faced in innovation process?
15. Could you tell us the benefits of innovation that gain to Benice?
16. Could you tell us the differences between classic transportation and fine art transportation according to benefit-cost analysis?
17. What do you think about fragile goods transportation?
18. Do you think that focusing fine art logistics have potential risk in spite of being a niche market?

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