Customer Services and Its Efficiency Level of 3rd Party Logistics Companies

Rozelin Abdullah, Muhammad Amirul Razi, Mohd. Yazid Md Taib, Mazilah Abdullah, Mimi Suriani Mat Daud

Abstract: This research explores the function of Customer Service (CS) in Third-Party Logistics (3PL) companies and their efficiency levels. Many 3PL companies rely on the performance of its CS department as the windows of contact between external customers and internal customers. Despite the critical function of CS in 3PL companies, less attention is given on the development and progress of the CS area. Poor CS performance leads to miscommunication among internal departments, suppliers and worst its customers. This situation, if prolonged, will give a high toll in operations cost and the company's reputation in the industry. While companies with excellent CS team retain, more extended customers' relationship and support derived from reliable services and trust experienced by customers with less additional or unexpected operations cost occurrence. The first objective of this study is to identify the factors influencing the CS efficiency and the second objective determined the level of efficiency of CS in 3PL companies. A thorough archival data were compiled and observed from previous studies conducted in this field. Interviews were conducted with selective respondents from 3PL companies located in Johor Bahru to measure CS efficiency. The findings of this research revealed each company’s CS team performance and recommended areas for future improvements.

Keywords: 3PL, Customer Service, The Efficiency level

INTRODUCTION

Customer service (CS) play a significant role in logistics activities. It is one of the logistics elements aside from procurement, warehousing, transportation and inventory management [1][2] whereby each logistics movement require the support of verbal, visual and written communication activities[3]. In a third-party logistics (3PL) company, CS is the first focal point of contact between the company’s clients and internal departments. CS is the department receiving new shipment orders, documentation and customer requirement. This department filters the order according to the terms of shipment, nature of cargo and urgency of the shipment before relaying the information to respective internal departments or suppliers. Main customers of 3PL companies are those in manufacturing, suppliers and distributor, who seek lower logistics cost with added value in logistics service. This is one of the efforts to control logistics cost to remain competitive in the market. In such, 3PL companies expand the content of its services which involves more complex activities will significantly require more CS support than before to compete with rival companies and remain relevant in the market. Today, many 3PL companies offering complete logistics services to its customers. Total logistics services consist of not only warehousing and transportation but inventory management, procurement and distribution. Total logistics services require CS as the call centres managing logistics movement. One of the reasons for companies to outsource “in-house” businesses to 3PL companies is to improve the integration of the entire supply chain activities through CS [4].

3PL companies not only focus on satisfying their customers with excellent reliable logistics service but motivate customers’ loyalty through repeating orders and maintain long term business relationship. On the other hand, 3PL companies continue to face challenges in maintaining their business [4]. Although the Malaysian manufacturing industry progressing well in its exports segment, CS in many 3PL companies face limited development due to the lack of skill and technology support [5]. This situation influence the performance of logistics services as demand for rapid and excellent logistics service supersede the capacity and capability of a 3PL company in rendering its services to customers [6]. Personnel in CS deprived of initiatives to integrate empirical information and documentation between customers and logistics operations departments effectively, especially without technology support in communication [7]. Therefore, it is crucial for a company to objectively measure the performance of its CS in order to retain existing customers’ loyalty and secure new customers on board. The first objective of this study was to identify the factors influencing effective CS of 3PL companies and secondly to measure the efficiency of CS level. These set of objectives allow 3PL companies to review areas of improvement in CS progressively through the initiatives identified.

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II. CUSTOMER SERVICE EFFECTIVENESS

Communication Infrastructure

Customers in logistics service businesses expect excellent quality service, fast and on-time delivery with fewer logistics costs [8]. One of the ways to achieve customer satisfaction in logistics service is to deliver goods according to customer’s requirement without any delay, and additional cost incurred. Thus, integration between CS and operations team is crucial. Multiple information passes through between customers, CS and operations department on a rapid basis [9] [10]. Information flow not only limited to verbal but also written communication through emails and documentation. Typically, CS in logistics companies receive calls and emails from customers, screen the shipment orders according to the mode of transportation and terms of shipment then process job order numbers before assigning the shipment to another operation department. Therefore, the information gathering process at CS is crucial. Another crucial aspect in CS is accuracy, this is to make sure the flow of the information to the next logistics procedure are well-executed [11] [12]. The support of technology advancement and precise information flow permits effective CS communication [13].

Training Development

A good CS can understand logistics documents, terms of shipment or Incoterm and the urgency level before processing the shipment from one logistics process to another [14][15]. Failure to gasp accurate input at CS stage jeopardize the safety of the cargo in transit, prolong the duration of delivery and tarnish the company’s reputation. Repetition of such cases eventually taxing 3PL company with additional unexpected operation cost not to mention the loss of customers [16].

Another essential area in communication is the ability to be calm and diligent during a conversation with the customers. Excellent communication skills of the CS can withstand harassing customers in due urgency of shipment or complain situation. It is not easy to handle aggressive customers; however, good CS can tackle the situation well and eventually win customer heart even at the most critical time during the operation of the logistics activities[17][18][19].

MNC 3PL companies such as DHL and arhartrodt, to name a few engage the company’s CS team with internal and external training as part of the effort to improve CS performance. However, due to limited capital and resources, some companies are unable to provide training to its CS team members [20] [21].

Value Added Service

3PL services are just as intangible as hospitality businesses. A customer experiences the product rather than have the opportunity to touch, see or taste the product on the shelf. Due to these amenities, it is crucial for 3PL service providers to focuses on its value-added services to swirl customers into its service offerings. Value-added service is additional services provided to customers on top of the actual service purchase by the customer [22]. Shipment track and trace is one of the service customer preferred. It provides the customer with peace of mind during shipment transit from pick up location up to delivery site. Customers can find out goods whereabouts within the touch of a finger with a smartphone. Another value-added service is automatic updates on shipment status from a 3PL company to its customer. It allows the customer to build a higher confidence level of the service purchased. Especially when the value of goods in transit is high and in some cases in fragile form. Besides feeling secured, the customer gains deeper trust in the service and remain loyal to the company [24].

Some 3PL company provide value-added service to its customer by providing logistics assistance at the customer premise or store to monitor and assist inventory management, cargo receiving or outgoing, fumigations or special packing activities. This personnel is referred to as an In-plant officer that ensure the customer received firsthand information on logistics movement of its cargo and is well taken cared for [25].

Service Quality

Safe and timely delivered goods at consignee door are often related to quality logistics service. Once a 3PL commit delivery timeline with its customer, it is a contract to oblige [26]. Failing to do so will lead to customer complains. It is because logistics support the supply chain the customer it serves. Delay in delivery of cargo breaks the supply chain, which causes production halt and export delay to a manufacturing company. Goods in transit are under the liability of the 3PL carrying it. Damage of goods due to mishandling, accident or pilferage reflect the service quality of a 3PL company. In such, it is clear that the role of CS in processing information about customer goods are undeniably important [27].

One-stop service or one window contact person is one of the efforts to enhance the quality of service. Due to the many stages of logistics activities involved in a shipment, it is easier for customers only to call one person to arrange a shipment rather than speaking to different person from different department of one 3PL company. This cause miscommunication and distress logistics operations activities [28].

Relationship with Customer

Besides that, an excellent quality service lies in the relationship between 3PL’s CS with its customers. The customer relies on CS personnel once goods are already in transit. Goods in transit is a situation during documentation procedures such as customs brokerage and uplifting cargo freighter or loading vessels. Excellent service quality of 3PL is a logistics service with well updated on goods in transit status by CS personnel, friendly and experience CS. It includes 3PL uses of friendly booking and track and trace systems [29].

Maintaining a good relationship between a 3PL company and its customers require more than just forward logistics. It involves reverse logistics as well. In the occasion of cargo damaged or wrong delivery, CS responsible for conveying to customers on the bad news and action should be taken in the reverse logistics procedures.

In most cases, this is one of the most difficult jobs of CS personnel, keeping the customer calm and turn the
catastrophic situation into potential trust out of the situation. It is not easy, but workable where customer trust and loyalty is developed [30].

III. METHODOLOGY

This research is conducted in a qualitative method, through secondary data content analysis and interview, which are then represented in the form of a rubric.

Inclusive and exclusive of data selection

The first objective is conducted through a thorough compiling of input from archival data of previous journals from 2000 to 2018. Observation of literature compilation was based on inclusion inputs and identifying selected themes on effective Customer Service, integration in communication and technology supports. The data screening of literature was sorted by the exclusion of data through coding techniques [31]. The summary of the findings is represented in below Table I.

Rubric Development and Validation

Instead of adopting a set of interview questions, this study developed an Index Rubric to measure the CS efficiency of 3PL companies. A rubric is an ideal instrument to measure standards due to its descriptive nature and systematic scale [32]. It enables the researcher to describe CS criteria based on the appropriate scale [33]. Besides, respondents were able to relate the CS criteria set in the rubric based on the actual situation. The rubric consists of 5 categories of efficient CS factors namely Communication Skills, Training Development, Value Added Service, Service Quality and Relationship with Customer which have been identified in the first research objective and represented in Table II.

The scoring level was based on an interval scale measurement which represented via four scoring levels as the four marks weight. The scoring details were tabulated in Table I. Each criterion was chosen by the respondent computed and indexed based on actual implementation applied by each company in its CS area. It took an average of 20 minutes per each respondent to complete the rubric. The scoring input were then compiled and calculated based on the designed index. The scoring details were tabulated in Table IV.

Matter Experts (SME) in the logistics industry, holding the position of Logistics Specialist and Senior Lecturer in Industrial Logistics faculty before final testing began. The summary of the process is classified in Figure I.

Rubric Design Framework

Fig. 1 Rubric Design Framework

Rubric Testing

The final rubric then tested by four experts in logistics services personnel with more than five years of working experiences in international 3PL operations. The companies refused to be named due to the competitive and private confidential issues, which were later categorized as Company A, Company B, Company C and Company D. The determination of sample size for exploratory research strongly argued among scholars however, the sample size should be allocated according to the research objectives, demographic and depth of the case study [36]. According to [37], one respondent with appropriate criteria is adequate for exploratory research and are referred to in the current study.

Each criterion was chosen by the respondent computed and indexed based on actual implementation applied by each company in its CS area. It took an average of 20 minutes per each respondent to complete the rubric. The scoring input were then compiled and calculated based on the designed index. The scoring details were tabulated in Table-IV.

Table. 1 Effective Customer Service (CS) Factors

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Author</th>
<th>Year</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Infrastructure</td>
<td>McFarlan et al</td>
<td>2016</td>
<td>Technology system to support communication of CS in handling customers</td>
</tr>
<tr>
<td></td>
<td>Daugherty, P.J</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chi, N.W</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Training and Career Development</td>
<td>Singh, S. et al</td>
<td>2018</td>
<td>The important of training in CS to ensure experience and diligent CS performance</td>
</tr>
<tr>
<td></td>
<td>Chen, A. C</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shen, J et al</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Value Adding and Trust</td>
<td>Olya, H</td>
<td>2018</td>
<td>Additional services provided to customers</td>
</tr>
<tr>
<td></td>
<td>Gventer, B</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Karim, N. H</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Service Quality</td>
<td>Kalubanga, M. &amp; Namagembe, S.</td>
<td>2018</td>
<td>Customer complaints, cargo damaged or mishandling</td>
</tr>
<tr>
<td></td>
<td>Mishra, D. K</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Relationship with Customers</td>
<td>Wong, C. W</td>
<td>2015</td>
<td>Customer retention with the company</td>
</tr>
<tr>
<td></td>
<td>Kalubanga, M., &amp; Namagembe, S.</td>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>
Table. 2 Effective Customer Service (CS) Rubric

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>(4)</th>
<th>(3)</th>
<th>(2)</th>
<th>(1)</th>
<th>RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMUNICATION INFRASTRUCTURE (5 Points)</td>
<td>One CS personnel for specific customer with automated integrated CMR system</td>
<td>One CS personnel for specific customers with automated CMR system</td>
<td>One CS personnel for all customers with manual booking system</td>
<td>No dedicated CS personnel with manual booking system</td>
<td>/20</td>
</tr>
<tr>
<td>TRAINING DEVELOPMENT (5 Points)</td>
<td>At least 2 Internal Trainings or External Trainings to CS per year</td>
<td>At least 1 Internal or External Training to CS per year</td>
<td>At least 1 Internal Training provided to CS per year</td>
<td>No Training provided to CS</td>
<td>/20</td>
</tr>
<tr>
<td>VALUE ADDED SERVICE (5 Points)</td>
<td>Offering customers: Online Booking, Track &amp; Trace system, Automated system updating, In-plant Personnel</td>
<td>Offering customers: Online Booking, Track &amp; Trace system, Automated system updating</td>
<td>Offering customers: Manual Booking and Shipment Updating by CS</td>
<td>Offering Customers: Manual Booking and Shipment Updating by respective department</td>
<td>/20</td>
</tr>
<tr>
<td>SERVICE QUALITY (5 Points)</td>
<td>0-3 customer complaints per month</td>
<td>3-5 customer complaints per month</td>
<td>5-7 customer complaints per month</td>
<td>More than 7 complaints per month</td>
<td>/20</td>
</tr>
<tr>
<td>RELATIONSHIP WITH CUSTOMERS (5 Points)</td>
<td>Servicing at least 1 customers within 2 years</td>
<td>Servicing at least 1 customer for at least 1 years</td>
<td>Servicing at least 1 customer for at least 6 months</td>
<td>Servicing at least 1 customer for at least 1 month</td>
<td>/20</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>/100</td>
</tr>
</tbody>
</table>

Table. 3 Scoring Index

<table>
<thead>
<tr>
<th>LEVEL</th>
<th>RATING</th>
<th>TOTAL SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADVANCE</td>
<td>4</td>
<td>76-100</td>
</tr>
<tr>
<td>INTERMEDIATE</td>
<td>3</td>
<td>51-75</td>
</tr>
<tr>
<td>WEAK</td>
<td>2</td>
<td>26-50</td>
</tr>
<tr>
<td>POOR</td>
<td>1</td>
<td>0-25</td>
</tr>
</tbody>
</table>

Table. 4 Rubric Result

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMUNICATION INFRASTRUCTURE</td>
<td>10</td>
<td>15</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>TRAINING DEVELOPMENT</td>
<td>10</td>
<td>15</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>VALUE ADDED SERVICE</td>
<td>5</td>
<td>15</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>SERVICE QUALITY</td>
<td>5</td>
<td>15</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>RELATIONSHIP WITH CUSTOMERS</td>
<td>10</td>
<td>15</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>TOTAL PERFORMANCE SCORE</td>
<td>40%</td>
<td>75%</td>
<td>75%</td>
<td>95%</td>
</tr>
</tbody>
</table>

IV. RESULT AND DISCUSSION

The factors of effective CS were identified through secondary data observation of previous research compilation. Based on the findings, a template of the criteria had been outlined in Table-I. While the complete rubric template were designed based on the framework mentioned in Table- II.

1) The finding revealed Company A scored the lowest (40%) in its CS performance, classified under Weak level in CS performance score.
2) Company B and Company C both shared the same percentage of 75%, which had been classified in the Intermediate level in CS performance Index.

3) Company D scored the highest percentage score at 95%, which was classified in Advance CS performance score.

The result indicated that 3PL companies highly rely on CS support towards their businesses performances. Based on the result, Company “A” performance level were weak due to low score in Communication Infrastructure and Training Development. This had resulted to low score in Values Added Service and Quality of Service and eventually took toll on the relationship between the company and its customers. Company “D” had been classified Advance in its CS performance especially under CS Category 1, 2 and 3. As a result, the relationship with customers remains secure.

V. CONCLUSION

This research discovers the importance of CS in the 3PL business. Even though the attention given to CS development were argumentative in several previous researches, based from this study, most 3PL companies did not ignore the development of CS. The result from this study shown that the role of CS in logistics activities remain significant. 3PL companies need to upgrade their CS skills through training, infrastructure upgrades and value-added service continuously in order to sustain the rapid development of logistics market.

Although the validation and testing of the rubric were carried out in a qualitative method, in the future, it can be done via a quantitative instrument to further support the findings.

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