Customer Perceptions on Service Satisfaction with Third Party Logistics (3PL) Service

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ABSTRACT

Today, more firms are focusing on core competencies and turning to external specialists (Third Party Logistics – 3PLs) for sophisticated logistics solutions. The 3PL service industry is characterized by customer relationships that can extend over several years, involving multiple instances of service delivery. Customers’ satisfaction level has a profound impact on attracting new customers and customer retention. This research investigates customer perceptions regarding the service offered by a medium-sized 3PL operating in Greece. Results indicate that customers are satisfied with the outfit of personnel, adequacy of knowledge, speed of service, quality of services offered, and politeness of personnel at the point of sales as well as during the delivery. The major problem stated by the respondents was the long hold on time at the call center, which causes intensity and confusion among the customers.

Keywords: Business Management, Customer Perceptions, Customer Service, Outsourcing, Supply Chain Management, Third Party Logistics

INTRODUCTION

Seeking a sustainable competitive advantage in the modern competitive environment has become a concern for every manager. The changing competitive environment focuses from brands to availability, plentiful of sources for purchasing products, raw materials and services of equal quality and last but not least focuses on higher customer value. Briefly, temporary supply chains should provide better customer service, high level of performance, inventory reduction, exchange of value-added information, and process integration (Chopra & Meindl, 2008). Competitive advantage consists of the ability of the organization to differentiate itself, in the eyes of the customers, from its competition, and to operate at a lower cost and hence at greater profit (Christopher, 2005). Customers seek customized solutions to satisfy

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their needs in acceptable prices and products or services with the greatest perceived value.

Terms such as “logistics outsourcing,” “logistics alliances,” “third party logistics,” “contract logistics,” and “contract distribution” have been used interchangeably to describe the organizational practice of contracting-out part of all logistics activities that were previously performed in-house (Aertsen, 1993; Bowersox, 1990; Lieb, 1992; Sink, Langley, & Gibson, 1996). Third party logistics (3PL) is usually associated with the offering of multiple, bundled services, rather than just isolated transport or warehousing functions (Leahy, Murphy, & Poist, 1995). Contemporary 3PL arrangements are based on formal (both short- and long-term) contractual relations as opposed to spot purchases of logistics services (Murphy & Poist, 1998).

Nowadays, more and more retailing and manufacturing firms have decided to focus on their core business and use 3PL providers for the management of all or part of their logistics operations (Lieb & Bentz, 2005a; Marasco, 2008; Selviaridis & Spring, 2007). A large portion of the 3PL industry growth has been prompted by increased globalization and the need to enter unfamiliar markets, pressures to cut costs, and desires to achieve enhanced performance (Boyson, Corci, Dresner, & Rabinovich, 1999; Lieb & Bentz, 2005b). This trend has led to the rapid growth of third party logistics providers (3PLs). 3PLs have the know-how, experience, facilities, equipment and offer tailored services to the final customers.

There are managers who believe in logistics service providers, in other words “outsourcing.” Nowadays, outsourcing is an increasing successful field. Successful integrated logistics service providers are dynamic firms, utilizing a combination of systems, faculties, transportation, and materials handling techniques. Outsourcing logistics activities improves personnel productivity due to the emphasis given on core business. The level of the customer service offered by the 3PL is very high, because of the adoption of management considerations such as “just in time” as well as the application of information technology. On the contrary, there are inhibitors to outsourcing, relating to the issues of confidentiality, control, and security (Lynch, 2004).

Our research was conducted in a 3PL service provider operating in Greece. In Greece, according to an ICAP sector study (2008), 42% of the participating companies collaborate with one 3PL, while 43% of the participants do business with more than one 3PL. Outsourcing is frequently the best solution for organizations entering in a new marketplace. On the contrary, a return to in-house logistics often is taking place after the consolidation of these companies. The major objective of this research was the assessment of customer satisfaction as well as customer service level optimization through the adoption of innovative solutions and value-added services. The strategy adopted by this company is focused on the provision of various tailored services with the lowest possible cost. Customer service optimization is extremely important for a third party logistics provider, because any glitch will have an immediate impact on the customers. The main goal is the creation of a win-win cooperation.

The majority of the surveys regarding customer service and third party logistics providers are based on responses from the personnel of the 3PLs and the subsequent statistical analysis of the data. The contribution of this study is that the research instrument is filled-in via phone by customers of the particular 3PL. Therefore, the customers involved in this research have the ability not only to express their perceptions regarding the level of customer service provided by the 3PL, but also to suggest ways to improve this level.

The remaining of the paper will be organized as follows. The next section reviews the relevant literature. The research method adopted for this study is explained. The results of our research are then presented and discussed in the context of existing knowledge in the field. The last sections provide directions for future research along with the limitations of the study.
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