Customer Satisfaction of the Third-Party Logistics Enterprise Based on AHP: A Case Study

Xu Xiaomin, Shanghai Dianji University, Shanghai, China
Liu Yi, Shanghai Dianji University, Shanghai, China

ABSTRACT

This article reports on results of a study on a freight forwarding enterprise engaged in third-party logistics services. The first phase involved establishing an evaluation index system for customer satisfaction of 3PL enterprise based on SERVQUAL model. In phase two, analytic hierarchy process AHP is applied to analyze survey results to find out key factors affecting service quality of 3PL enterprises. Based on these results, some suggestions are given.

KEYWORDS

Analytic Hierarchy Process, Customer Satisfaction, Service Quality Model, Service Quality, Third-party Logistics

INTRODUCTION

In recent years, with widespread use of the Internet, customer satisfaction in logistics industry has drawn close attention from academics and practitioners both at home and abroad. In addition to cost savings, logistics is playing an important role in improving customer services and helping companies to gain competitive advantages. Today, third party logistics industry in foreign logistics market accounts for a considerable proportion. According to statistics, 3PL enterprises account for 23.33% of logistics market in Germany. In other European Community countries, 3PL accounts for 10% to 35%. In the United States, 3PL accounts for 57%. In Japan where best social distribution service is provided, 3PL accounts for 80%. In the middle of 1990s, 3PL has made progress in China. According to 2006 China Logistics Development Report, during 1999-2005, manufacturing companies that outsource to 3PL providers have increased from 5% to 31%, manufacturing companies with self-conducting logistics have dropped from 26% to 16%, while combination of self-conducting logistics and outsourcing has dropped from 69% to 53% (China Federation of Logistics and Purchasing, 2006). With rising demand of logistics outsourcing and development of e-commerce, average annual growth rate of 3PL is 33%, and during 2004-2010, total production value increased from 40 billion RMB to 230 billion RMB. However, overall customer satisfaction of China’s 3PL enterprises is not optimistic. According to China Storage Association’s Supply and Demand Investigation Report, satisfaction level of manufacturing companies for 3PL is 54%, 35%, 44%, and 25% in 2001, 2003, 2004 and 2005, showing that 3PL satisfaction levels in manufacturing industry are volatile. Meanwhile, it also shows that many 3PL enterprises have not paid attention to customer satisfaction.

At present, logistics market potential in China is tremendous, its prospect is very attractive, and logistics industry is rapidly growing. A statistics show that in the total social logistics of China in 2012 is 177,300 billion RMB, year-on-year growth is 9.8%. The ratio of total cost of society logistics
of gross domestic product is 18%, and the added value of logistics industry is 3600 billion RMB (Li, 2004; Tong, 2007). These figures show that service demand for logistics in enterprises and society is increasing, logistics industry is developing rapidly, and logistics markets are in the process of steady and rapid growth. However, 3PL as an emerging industry, with advancement and economy, is playing an important part in the whole logistics industry, is one of the important direction of modern logistics. To a certain extent, 3PL determines direction and the degree of development of logistics industry. Although logistics industry is gradually rising to national strategic level and the main economic indicators are steady growing, we must clearly recognize that the logistics industry in China, especially 3PL, still faces many problems and difficulties, still need to continuously reform and develop. Problems such as high total cost of logistics, confused market order of logistics, low proportion of 3PL, and poor service abilities of 3PL enterprises are universal (Dai, 2007; Gong, 2008).

In modern market competition, enterprises want to rapidly develop, ahead of competitors, not only rely on basic resources like capital, technology, manpower and material resources, also can’t do without other such as service, management, and so on. Under the same basic resources, the value-added resources are more important. The logistics industry, especially 3PL itself is a kind of service industry. If logistics enterprises want to win in the fierce competition, they must take the customer as the starting point and foothold, provide satisfaction services for customer. The foundation of development of the logistics activities is to provide services to customers, and try their best to meet customers’ needs. Customer service is the core of 3PL enterprises, all of the logistics activity, are all around customer service. Thus, 3PL enterprises’ service level is the touchstone of a 3PL enterprise’ success or failure; Customer satisfaction is one of the most effective way of measuring service quality of enterprise (Cai et al., 2015; Pujara et al., 2015; Tyrinopoulos et al., 2014; Singh, et al., 2014). Improving customer satisfaction can generate more economic benefits for 3PL enterprises, and higher customer satisfaction levels can be regarded as an important intangible asset (Li, 2015; Wu, 2013; Li, 2011). Through establishing customer satisfaction evaluation index system for 3PL enterprises and collecting data for analysis, this article is trying to find out key factors for customer satisfaction, and put forth suggestions to improve quality of service.

THEORIES ON THIRD-PARTY LOGISTICS AND CUSTOMER SATISFACTION

The concept of third party logistics appeared in the 1980’s, in the mid 90’s, was introduced to China, and is widely popular at the beginning of the 21st century. In 2010, Warehousing Association of China made a thorough investigation on large and medium-sized enterprises in China, according to the results of the survey, nearly half of industrial and commercial enterprises in two or three years outsourced their logistics to new logistics enterprises; Some companies are considering using 3PL mode; And more enterprises think the logistics as the backbone of the future development. Increasing demand for professional logistics enterprise, make 3PL gradually rise to the strategic level of enterprises (Zhu et al., 2003; Lau et al., 2012).

Third-party logistics (abbreviated TPL, 3PL or 3rdPL) originated in Europe and America towards the middle and end of the 1980s. This concept was introduced after outsourcing finds its way into logistics.

Domestic and foreign researchers have studied 3PL from the practical perspective (Bayazit et al., 2014; David says, 3PL refers to undertake traditional logistics functions completed by the organization through external companies, and these functions include whole or part of logistics functions (Simchi, et al. 2005). 3PL is an external supplier to provide whole or part of the logistics functions to a single company. SPL is a business model where logistics providers other than of suppliers and demanders
Related Content

Optimizing Routes with Safety and Environmental Criteria in Transportation Management in Spain: A Case Study
[www.igi-global.com/chapter/optimizing-routes-safety-environmental-criteria/70629?camid=4v1a](www.igi-global.com/chapter/optimizing-routes-safety-environmental-criteria/70629?camid=4v1a)

Modeling Carrier Interactions in an International Freight Transport System
[www.igi-global.com/article/modeling-carrier-interactions-in-an-international-freight-transport-system/106825?camid=4v1a](www.igi-global.com/article/modeling-carrier-interactions-in-an-international-freight-transport-system/106825?camid=4v1a)
www.igi-global.com/chapter/b2b-ecommerce-current-practices/73353?camid=4v1a

The Drivers, Practices and Outcomes of Green Supply Chain Management: Insights from ISO14001 Manufacturing Firms in Malaysia
www.igi-global.com/article/the-drivers-practices-and-outcomes-of-green-supply-chain-management/147364?camid=4v1a