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Developing a model to identify the factors affecting customer satisfaction and their impact on third party logistics services in Sri Lanka

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Locating on a major east-west trade route near India, Sri Lanka has significant geographic advantages that are necessary to become a major logistics hub in South Asia. Despite its underdeveloped economy, the island country's total trade volume is around $ 88.9 billion (2018), making it a major hub for the region. A number of shipping lines use this site to, consolidate and deconsolidate cargo for transhipping to various destinations. Considering logistics performance, Sri Lanka was ranked 94th out of 167 countries according to the World Bank's 2018 Logistics Performance Indicator (LPI). Therefore, Sri Lankan Logistics and Freight Forwarder Association has identified that the country needs to move up on the index, while providing a competitive service to the customers' need. Both practitioners and scholars recognize the fact that embracing corporate sustainability as well as enhancing customer satisfaction can produce several relevant business benefits such as decrease of the intention to switch. Although past research captures the relationship between customer satisfaction and service quality through a combination of the SERVQUAL (service quality) model or the SERVPERF (service performance) model, however, the controllable factors may influence this relationship when considering the Third Party Logistics (3PL) industry in Sri Lanka. The model developed explores both service and performance, and other controllable factors affecting on customer satisfaction and their impact on the 3PL industry in Sri Lanka. It considered all key influencing factors and their relationship with each other using a systematic review process and complemented by reviews from industry experts. The model constructs include relationship performance as the independent variables while the impact of the 3PL industry on customer satisfaction has been measured using customer loyalty, customer switching behaviour and customer complaints which also been considered as dependent variables. Tech initiation has been recognized as a moderator variable for the operational performance and the Organizational image has been recognized as a controllable variable of customer satisfaction. The study results show that there is a statistically significant impact of the overall dimensions on the customer's satisfaction and it implies that 8.09% of customer Loyalty depends on the above four independent variables and 18.85% of Switching Behaviour and 6.30% of Customer Complaints depends on all the independent variables. The proposed model which has verified will lead 3PL service providers, to distinguish significant factors, which have a considerable effect on the customer satisfaction. Further, the outcomes would assist the 3PL providers to minimize customer switching behaviour and switching costs, as they have a clear idea about the expectations of customers that should be fulfilled when delivering 3PL services.

Keywords: Customer satisfaction, Third party logistics (3PL), Logistics management, Logistics performance