

Determinant of Factors affecting Customer Satisfaction: Case of the Logistics Industry in Sri Lanka

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Abstract

Sri Lanka is a key transshipment hub on the important East-West trade route. In terms of logistics performance, Sri Lanka ranked 94th out of 167 countries according to the World Bank's Logistics Performance Indicator (LPI) for 2018. If Sri Lanka is to exploit and leverage its positioning to its fullest potential, then it is imperative that the country must improve on its overall positioning in the index, by being competitive, improving on efficiency and being sensitive to customer needs. Improving customer satisfaction is crucial for business sustainability, and importantly act as a deterrent to prevent customer switching. Although previous research has captured the relationship between customer satisfaction and service quality through a combination of the SERVQUAL (Service Quality) or SERVPERF (Service Performance) model, there are other controllable factors that can influence this relationship. The study examines from both a service as well as the performance perspectives and incorporates other controllable factors that influence customer satisfaction. The study is based on the third-party logistics (3PL) industry in Sri Lanka. It considered all the important influencing factors and their relationships with each other in a systematic review process and was supplemented by reviews from industry experts and data inputs from 3PL customers. It was found that customer handling, tech initiation, competitive prices, and flexibility, have a significance impact over the all the dependent variables (Customer Loyalty, Switching Behavior, Customer Complaints). The results could be used by the service providers, to realign their offerings to suit the demands of its customers and help the country become a logistics hub for the region.

Keywords

Customer satisfaction, Third Party Logistics (3PL), Logistics management, Logistics performance, Sri Lanka

1. Introduction

Sri Lanka has significant geographic advantages that are necessary to become a major logistics hub in South Asia, lying on the important East-West trade route. Despite its underdeveloped economy, the country's total trade volume is around \$ 88.9 billion (2018), making it a major hub for the region. This site is used by various shipping companies to consolidate and deconsolidate their cargo for transshipping to several destinations. Despite having those resources and location advantages, Sri Lanka was ranked 94th out of 167 countries in the World Bank's 2018 Logistics Performance Indicator (LPI). Compared to India's 3.18, UAE's 3.89, Hong Kong's 3.92, and Singapore's 4.00, Sri Lanka has scored 2.60 on competence and quality of its logistics services. This indicates that if Sri Lanka is aspiring to become a major regional transshipment hub in the region, it should carry out continuous improvements in its logistics services, as well as make substantial investment in its infrastructure "hardware"- ports, roads, and railways. Importantly, the Government of Sri Lanka has identified that the logistics performance is an essential index in the mix of variables that it has identified, as it plans to attract foreign direct investment into the country. Customer satisfaction plays an important role in the logistics performance index. The appropriate selection of elements in the logistics performance index is important in addressing this aspect and unlocking and creating new value to the customer. This value should be understood as attracting and retaining loyal customers and as mentioned above, one of the key elements of competitive advantage as well. The effectiveness and efficiency of logistics customer service activities depend on understanding the essential components of services and providing customers with such solutions to meet their needs. Both practitioners and scholars recognize the fact that embracing corporate sustainability as well as enhancing customer satisfaction can produce several relevant business benefits, including the curtailment of customer switching behavior.