

COURIER SERVICE QUALITY FOR BUSINESS SUSTAINABILITY

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ABSTRACT

Purpose: This literary paper attempts to provide an insight on published literature pertaining to current issues and challenges affecting the courier service industry, transportation modes and networks and also the relevant factors affecting courier business sustainability

Design/methodology/approach: This paper presents a literature review from various publications. Relevant journals, past previous studies and research done on courier services, quality of courier services, business performance and business sustainability. Literature shall also encompass information and statistics from published business reported and business review from courier business associations, courier service provider reports and government annual reports. Also, latest information related to courier service information technology and related websites.

Findings: Based on published literature, the courier service quality dimensions encompass quality service delivery, just in time, services offering, understanding customers' needs, communications, credibility, creativity and costs. Additionally, for courier business sustainability, business performance measures that are generally used for service providers encompass sales and revenue, customers, long term contracts, competition, service design, transport networks and transport costs, effective information system for tracing and traceability and last but not least customer complaints.

Research limitations/implications: This literature focused on courier service quality dimensions for business performance and sustainability both local and global contexts.

Originality or value: This paper provides inputs for potential variables and constructs for the future research framework.

Introduction

Starting from the late 1990s, Malaysia is looking forward to be an innovation-led economy. The Ministry of Science, Technology and Innovation (MOSTI, Malaysian science & technology indicators 2010) reported that Malaysia was ranked at 24th in the Innovation, Competitiveness and also ranked at 26th in the Global Competitiveness Index for the year 2010-2011. One of the main contributions of this achievement was rooted from the service sector. Postal and courier service is part of the service sector that continues to develop. The global mail and package delivery was estimated to reach USD500 billion in 2008 (Universal Parcel Union, 2010) and is expected to keep increasing. The recent launch of the Economic Transformation Program (ETP) by the government of Malaysia is expected to have more positive impact on the sector.

Today, there are many large companies offering next-day courier industries, include and UK divisions of worldwide couriers such as FedEx, DHL, UPS and TNT. The Courier industry in the United States is a \$59 billion industry, with 86% of the business shared by only four companies, including (DHL), FedEx and UPS. The remaining 14% shared among almost 11,900 other small businesses ranging in size from 1 employee to over 600 (Terry, 2013).

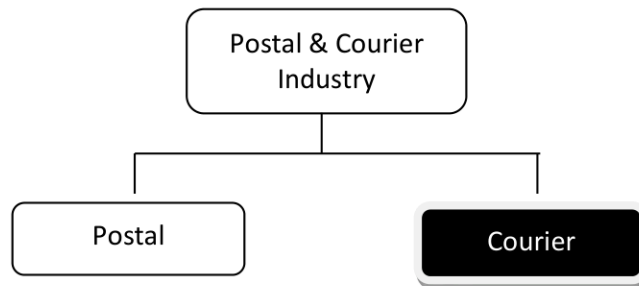


Figure 1: The structure of the postal and courier industry

Postal services are primarily used for the delivery of letters, cards, documents and small packages that required postage stamps, prepaid envelopes, sachets or boxes. These items are played in post boxes or post office counters where they are collected and subsequently delivered to destinations. Postal services do not provide pick up services or confirmation of delivery. There are no guaranteed the postal can be delivered on time and it based on postal company schedule and it will take 2 or 3 days from days of pick up (Gdex, 2013).

Generally, postal and courier services relate to delivery of parcels, packages, documents, letters, and printed materials. Basically, the postal transportation process consists of mail collection, input sorting, organize the movement of mail (global area transportation), output sorting, and distribute mail (Gruner, et al, 20000). The complexity of the process, therefore need to be assisted by ICT to ensure that the correct mail can be received by the customer on time.

Courier business in global context

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The courier industry simplifies and speeds the process of transporting goods. It organises the collection, usually at the end of the business day, allows the sender access to information on the progress of shipments from pick-up to delivery, and provides proof of delivery. Where shipments cross international borders, The courier industry handles customs clearance as well as the payment of duties and taxes as required (The impact of delivery industry of the global economy, 2009).

There are many 'specialist' couriers usually for the transportation of items such as freight or palettes, sensitive documents and liquids.

Courier Industry in Malaysia Context

Courier industry in Malaysia is relatively young. In the early 1970s, foreign companies such as DHL beginning their operations in Malaysia. The first local courier company to operate in Malaysia is City-Link Express (M) Sdn Bhd which began its operations in 1979. This was followed by ABX Express (1984), Nationwide Express (1985). POSLAJU (part of the Pos Malaysia) and UPS appeared on the scene in 1988. FEDEX came in 1991. In 1997 a local outfit GD Express began operating. Today the domestic courier industry is mainly dominated by City-Link Express, Nationwide Express and GD Express (GDex). Both Nationwide and GDex are a public listed company while City-Link Express had remained firmly in the hands of its founder, David Tan (Economic Transformation Program (ETP) Annual Report, 2012).

The recent launch of The Economic Transformation Program (ETP) by government Malaysia (Edition annual report 2012) mention that courier, post and broadcast GNI contribution is expected to grow by 5.2 per cent annually over the next 10 years, contributing RM1.6 billion in incremental GNI and creating 7,563 new jobs by 2020 (2012, Economic Transformation Program (ETP) Annual Report). This sector will also offer a broader range of services including commercial transaction fulfillment, warehousing, inventory management, demand planning for manufacturers and assembly services. With the rise of e-commerce in the country, the post and courier sector are expected to benefit by

offering services specifically designed to meet the needs of an increasing number of online merchants (Economic Transformation Program (ETP) Annual Report, 2012).

In 2009, the postal and courier sector in Malaysia recorded a turnover of nearly RM 3 Billion. The sector comprises Pos Malaysia Berhad as the universal provider. As at 30 June 2013 the number of courier licenses decreased to 93 company compare with 2012 with 105 companies (The National Postal Strategy 2010-2014).

Literature review

Service quality offered by courier services is an important indicator to assess a company's performance. Service quality in the courier services has mainly been researched on the technical and/or on corporate strategies (Douligeris & Pereira, 1994; Gruber, Abdou, Richards, & Williams, 1986; Jung, 1996a; 1996b; Lim, Widdows, & Park, 2006; Lynch, Buzas & Berg, 1994; Takahashi, 1988). Due to the inherent intangibility, inseparability, heterogeneity and perish ability of characters, service quality can be defined as a consumer's overall impression of the relative efficiency of the organization and its services.

The dominant conceptualization and measurement of service quality is the SERVQUAL instrument developed by Parasuman et al. (1988). SERVQUAL was identified as determinants of perceived quality and indicated by the arithmetic differences between customer expectations and perceptions across the 22 measurement items. Using factor analysis, SERVQUAL further is condensed into tangible, reliability, assurance and empathy dimensions, which are generic across service contexts. However, a number of authors investigated the number of dimensions and stability of items across different industries by empirical tests.

They conclude that the five component factor structure is not confirmed in any of the research samples. This implies that service quality attributes are context-dependent and should be selected to reflect the service environment investigated Cronin et al (1992, 2002) criticized SERVQUAL "poor reliability.

The fourth perspective is manufacturing based approach. This perspective is supply-based, and is concerned primarily with engineering and manufacturing practices. It focuses on conformance to internally developed specifications, which are often driven by productivity and cost-containment goals. The fifth perspective is value-based definitions define by quality in terms of value and price. By considering the trade-off between performance and price, quality comes to be defined as "affordable excellence". Thus, based on the David Gavin definition of quality, we can say that Pos Laju quality can be defined as in value-based quality.

Service Quality

Service quality is defined as "the customer's overall impression of the relative inferiority / superiority of the organization and its services" (Bitner and Hubbert, 1994,p. 77). Other authors suggested that the concept of service quality can be defined as intangible activities or intangible product (Gro'nroos, 1990), built environment (Bitner, 1992), service product, delivery (Rust and Oliver, 1994), and service outcome and process (McDougall andLevesque, 1994). Service quality perceptions on the othr hand are positively related to several key consumer variables such as customer satisfaction (Oliver, 1980; Cronin and Taylor, 1992) and customers' expectations (Chelladurai and Chang, 2000; Reeves and Bednar, 1994; Zeithaml et al., 1990).

Currently, there are numbers of different factor structures and measurement scales available in different researches by different authors; SERVQUAL (Parasuraman et al., 1988) RECQUAL (Crompton et al., 1991), SERVICESCAPE (Bitner, 1992), SERVPERF (Cronin and Taylor, 1992), QUESC (Kim and Kim, 1995), TEAMQUAL (McDonald et al., 1995), SPORTSCAPE (Wakefield et al., 1996), CERM-CSQ (Howart et al., 1996), and SSQRS (Ko and Pastore, 2004, 2005).

In addition, based on Bitner's (1992) SERVICESCAPE, Wakefield and Blodgett (1999) classified service quality into tangible and intangible factors. Service product itself is intangible and cannot be tested before it is produced. Several researchers (e.g. Berry,1980; Lovelock, 1980; Parasuraman et al., 1985; Shostack, 1977) argued that understanding intangible service is very important.

However, Parasuraman et al. (1988) suggested that the service quality has five dimensions which includes tangibles, reliability, responsiveness, assurance and empathy. The first dimension, reliability means ability to perform the promised service dependably and accurately. Responsiveness, the second dimension means willingness to help customers and provide prompt service and security as freedom from danger, risk, or doubt. The third dimension, assurance is a knowledge and courtesy of employees and their ability to inspire trust and confidence to the Pos Laju customers. The fourth dimension, tangibility refers to the appearance of physical facilities, equipment, personnel, communications material, and other customers in the service facility. The tangible aspect of event quality can include the physical environment variables such as ambience (e.g. temperature, air quality, noise, and music), space (e.g. layout, equipment, and furnishings), and signage (e.g. style, interior decoration, size). The tangible dimension relates to the servicescape offered by the Pos Laju. The fifth dimension is the reliability, which means ability to perform the promised service dependably and accurately.

Comparing performance to expectations works well in reasonably competitive markets which customers have sufficient knowledge to choose a service that meets their needs and wants. However, in uncompetitive markets or in situations in which customers do not have any choices because the switching would be prohibitive, because of time or location constraints. If the customers' expectations are low and actual service delivery proves to be better than what the customer's expected, we can hardly claim that the customers are receiving good quality service (W. Jochen & M. S. Anna, 2001).

Satisfaction-based research into quality assumes that customers are dealing with services that are high in search or experience characteristics. Process factors include customers' feelings about the personal style of individual providers and satisfaction levels with those supplementary elements they feel competent to evaluate. As a results, customers' perceptions of core service quality may be strongly influenced by their evaluation of process attributes and tangible elements of a service, which then creates a halo effect (W. Jochen, 2003). In order to obtain credible measures of professional performance quality, it may be necessary to include peer reviews of both process and outcomes as these relate to service execution on the core product.

Quality Measures

Customer-defined standards and measures of service quality can be grouped into two broad categories: soft and hard. Soft measures cannot easily be observed and must be collected by talking to customers, employees or others. Based on Valarie Zeithaml and Mary Jo Bitner;

"Soft standards provide direction, guidance and feedback to employees on ways to achieve customer satisfaction and can be quantified by measuring customer perception and beliefs". SERVQUAL is an example of soft measurement system. In contrast, hard measures are characteristics and activities that can be counted, timed, measured through audits. Such measures might include for example, how many telephone calls were abandoned while the customer was on hold, how many customers have to wait in line for service delivery, how many complaints were received from the customers and etc. The challenge is to ensure that operational measures of service quality reflect customer input.

In order to measure soft measures of Service Quality, according to Leonard Berry and A. Parasuraman: " Companies need to establish ongoing listening systems using multiple methods among different customer groups. A single service quality study is a snapshot taken at a point in time and from a particular angle. Deeper insight and more informed decision making come from continuing series of snapshots taken from various angles and through different lenses, which form the essence of systematic listening".

Based on the statement above, the authors recommend that ongoing research be conducted through a portfolio of research approaches. Key customer-centric service quality measures include total market survey, annual survey, transactional survey, service feedback cards, focus group discussions, questionnaires, service interviews and etc.

Measuring hard measures of service quality on the other hand, typically refer to operational processes or outcomes and include such as data as uptime, service response time, failure rates, and delivery costs. In a complex service operation, multiple measures of service quality will be recorded at many different points.

In courier service industry, FedEx was the first service company to understand the need for a firm-wide of service quality that implement all the key activities that effect customers. By publishing a single, composite index on frequent basis, senior managers hoped that all FedEx employees would work toward improving the quality. By setting the benchmark and making it known among the employees delivers the current level of service quality delivered. Thus, the company can improve their quality of service.

Thus, within the service quality variable, the research will include the five dimensions as based on Parasuraman, which are tangibles, reliability, responsiveness, assurance and empathy. Within these dimensions, the research will identify the level of customer's satisfaction towards the Pos laju quality of service.

Corporate image variables

Within this variable there are five dimensions that influence the customer's awareness and customer's satisfaction. The dimensions are awareness of the products and service that Pos Laju offers, Pos Laju employees, shareholders, brand image and advertising. Each dimension is interrelated as to form a good corporate image, thus, influence the customers.

Sustainable development definition

The concept of sustainable development has received growing recognition, but it is a new idea for many business executives. For most, the concept remains abstract and theoretical. Protecting an organization's capital base is a well-accepted business principle. Yet organizations do not generally recognize the possibility of extending this notion to the world's natural and human resources. If sustainable development is to achieve its potential, it must be integrated into the planning and measurement systems of business enterprises.

This definition captures the spirit of the concept as originally proposed by the World Commission on Environment and Development, and recognizes that economic development must meet the needs of a business enterprise and its stakeholders. The latter include shareholders, lenders, customers, employees, suppliers and communities who are affected by the organization's activities.

It also highlights business's dependence on human and natural resources, in addition to physical and financial capital. It emphasizes that economic activity must not irreparably degrade or destroy these natural and human resources.

Implications for business

It has become a cliché that environmental problems are substantial, and that economic growth contributes to them. A common response is stricter environmental regulation, which often inhibits growth. The result can be a trade-off between a healthy environment on the one hand and healthy growth on the other. As a consequence, opportunities for business may be constrained.

However, there are some forms of development that are both environmentally and socially sustainable. They lead not to a trade-off but to an improved environment, together with development that does not draw down our environmental capital. This is what sustainable development is all about - a revolutionary change in the way we approach these issues.

Sustainable development is good business in itself. It creates opportunities for suppliers of "green consumers", developers of environmentally safer materials and processes, firms that invest in eco-efficiency, and those that engage themselves in social well-being. These enterprises will generally have a competitive advantage. They will earn their local community's goodwill and see their efforts reflected in the bottom line.

Practical considerations

While business traditionally seeks precision and practicality as the basis for its planning efforts, sustainable development is a concept that is not amenable to simple and universal definition. It is fluid, and changes over time in response to increased information and society's evolving priorities.

To some, sustainable development and environmental stewardship are synonymous. In the short term, sound environmental performance is probably a reasonable objective for most businesses, with sustainable development as a longer term goal. However, this can lead to confusion. In the developed

world, the focus is on environmental management, while in developing countries, rapid and sustainable development is paramount.

The global economy is coming under growing pressure to pay for the restoration of damaged environments. But this economic engine is being asked to help solve other pressing problems at the same time. The challenge is to solve all of these problems in a sustainable manner, so as to generate continuing development.

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