The Effect of Logistics Strategy on Customer Service Performance of Large Retail Businesses in Myanmar

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Abstract

The purpose of this study is to identify the logistics strategy adopted in large retail businesses in Myanmar, to examine the effect of logistics strategy on customer serviceperformance of retail businesses in Myanmar.The study examines the characteristics of logistics activities of retail industry in Myanmar, therefore, a descriptive research design is adopted. The questionnaire is sent to managers of large retail businesses. Data is then collected using a questionnaire. Large retail businesses in Yangon which are members of Myanmar Retail Association in Yangon are sample units in this study. The data collected is analysed using the Statistical Package for the Social Sciences (SPSS) data analysis tool to generate descriptive data in order to describe the characteristics of these organisations. The study revealed that all the elements of process strategy are positively related to customer service performance. Market strategy is positively related to customer service performance. The analysis of the data should generate solution which will facilitate the development of guidelines for managers regarding selection and implementation of logistics strategy.

Keywords: logistics strategy, process strategy, market strategy, channel strategy, customer service performance

Introduction

Logistics is becoming increasingly important to businesses around the globe (Savitiskie, 2003). Logistics can be seen as one of the credential areas in which competitive advantage can be attained for businesses. Organizations focus on improving customer service performance by managing logistics activities in order to gain competitive advantage. Businesses are increasingly setting up operations in multiple locations around the global, which necessitates use of an efficient network of logistics operations to ensure smooth flow of raw materials and products from the point of production to that of consumption all over the world (Stock et al., 2000). Logistics management is considered as effective strategy for improving customer service performance.Logistics is concerned with "the art of managing material flow and information flow" (Mentzer et al., 2004).To improve customer service, logistics provides the functions of the right amount of the right products to the right place at right time with the lowest possible cost. According to Bowersox (2007), logistics is engaged in a wide range of important activities for the transfer of goods, services and related information to end user. Logistics strategy improves firm's competitiveness by strengthening supply chain relationship (Maalim.2016). Logistics strategy literature has varying views on what constitutes the typical logistics strategies. The main type of logistics strategy are process strategy, market strategy and channel strategy that are developed by Bowersox and Daugherty (1987). Process strategies was found to lead to improved transaction speeds and reduced transaction costs. A market strategy is the most important overall strategy for improving firm performance followed by integrated order processing applications. Channel strategies provide the clear internal guidelines for creating and monitoring alliances under supplier collaboration. The key of logistics strategy has the effects on increasing customer service, efficiency, effectiveness and flexibility of firm performance (Mentzer et al., 2010) The retail sector is one of the most significant economic sectors in the Myanmar economy and one of the sectors which has undergone the greatest evolution in recent years. Therefore the suitable logistic strategy can help to improve firm performance in the lowest possible costs to sell the customers from retailers in Myanmar.

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Rationale of the Study

Logistics is a major factors of competitiveness, profitability, and growth, within the strategic planning process (McKinnon, 2001). Organizations manage logistics activities to improve organizational performance. Myanmar logistics performance index (LPI) stills are ranked very low (i.e 129). It is the lowest among the ASEAN member countries (Taguchi, 2013). In order to have effective and efficient flow of materials and information, logistics brings together the geographical distance, sources and markets together to improve customer service (Kudo, 2010).Savitskie (2003) presented that the evaluation of logistics strategy, firm structure, and logistics information technology processes on service performance. Logistics is important to the firm's performance. In the 21st Century, information technology is increasingly used as a tool for firms to improve efficiency, reduce costs, and improve customer responsiveness.

Objectives of the Study

The main objectives of this study are to investigate the logistics strategy used by the retail businesses in Myanmar and the effect of logistics strategy on organizational performance.

For this purpose the following specific research objectives are set up;
- To identify the logistics strategy adopted in large retail businesses in Myanmar.
- To examine the effect of logistics strategy customer service performance of large retail businesses in Myanmar

Research Questions

The literature supports the importance of the research topic and demonstrates the need for additional insight regarding logistics. The study attempts to answer the following questions:
- What kind of logistics strategy is adopted in large retail businesses in Myanmar?
- How does the logistics strategy relatethe customer service performance of large retail businesses in Myanmar?

Method of the Study

This study applies both qualitative and quantitative method by using both primary and secondary data. Sample was drawn from members of Myanmar Retailer Association. Primary data and second data are used in the study. Primary data was collected through exploratory interviews with responsible persons of the companies. A questionnaire survey was conducted for obtaining primary data. In order to analyse the collected data, statistical tools was used. The retail business firms which are members of Myanmar Retailer Association was selected as study units. There are 352 members registered at Myanmar Retailer Association in Yangon at 2018. According to the legal definition of SMEs 2015, large enterprise business that has more than 60 employees in retailing industry was chosen as study units. Large retail businesses are 67 in Myanmar Retail Association. Among them 41 managers were chosen from large retailers of Myanmar Retailers Association in Yangon for this study.

Scope and Limitation of the Study

In this study, large retail businesses in Yangon which are members of Myanmar Retail Association in Yangon are sample units. Yangon is justified for the research because Yangon is the economics city of Myanmar. Large retail businesses in Yangon are leading business in Myanmar. The data for the study depend largely on the quality of the data available from the respondents' perceptions. The results were limited to the information from the data source. The financial performance indicators were not included for the study. This study only focuses on retail industry in Yangon.

Literature Review

Logistics Strategy

Extending the concept of 'strategy' from Hayes and Wheelwright (1984), logistics strategy is the process that helps to coordinate goals, plans and policies, and which are reinforced through conscious and subconscious behaviour within and between partners across a network. Process strategy is management of traditional logistics activities with the goal of controlling costs. Management emphasizes achieving maximum efficiency from purchasing, manufacturing, and distribution. Market strategy is management of selected traditional logistics activities across business units to reduce complexity faced by customers. Management emphasizes achieving coordinated physical distribution to customers served by several business units. Channel strategy is (also referred to as "Information strategy" by some researchers) a diverse group of traditional logistics activities and other activities managed as a system to achieve inter-organizational coordination and collaboration through the channel. In the company/division, management emphasizes coordination and control of channel members (distributors, wholesalers, dealers, retailers) activities (Murphy and Wood, 2008).
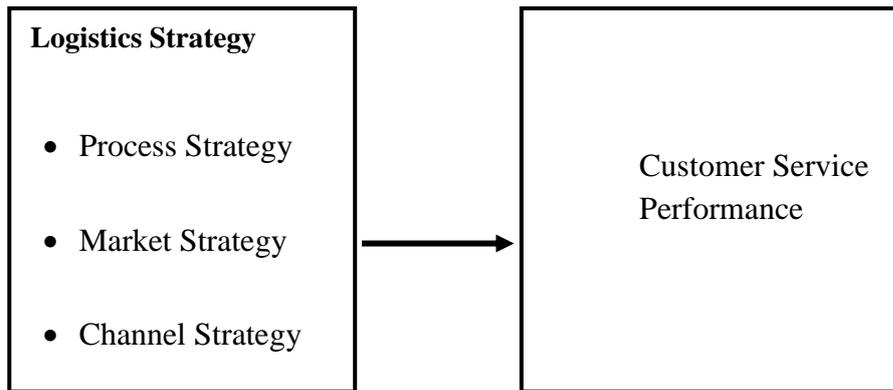
Measuring Organizational Performance

Performance has been viewed in a great variety of ways by logistics researchers (Chow et al., 1994) (Bowersox et al., 1999).The effect of logistics management on organizational performance has been explored in a large number of studies (Green et al., 2006).Organizational performance is measured in terms of internal performance measurement that focuses on the activities required for customer service and external performance measurement that focuses on customer perception and best practices of benchmarking. Customer service performance is measured by customer satisfaction, customer complaints, ability to respond, delivery times in this study.

Conceptual Framework of the Study

This study is examined the factors that effect on logistics strategy and the logistics strategies and their effect on the retail businesses. Logistics strategy classifications are developed by Bowersox and Daugherty (1987) Logistics activities in each logistics strategy in the study are developed by Antry et al (2008). They are Collaboration and coordination activities, Inventory management, Order processing, Procurement, Information technology system. Activities related in process strategy are coordination with functions, inventory control, order processing, and procurement for material with lowest cost, information technology and communication with internal departments. In this study, Activities related in coordination with across business units, information and communication system within department, with functions, across business units and customers, and inventory management for customized order and customer service for special request service are included in market strategy. In channel strategy, coordination with external parties, inventory management with suppliers / vendor, channel distribution system and information technology with suppliers and customers, integrated customer service with supply chain members are included.

Figure (1) Conceptual Framework of the Study

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┌─────────────────────────┐          ┌─────────────────────────┐
│ Logistics Strategy      │          │                         │
│                         │          │                         │
│   • Process Strategy    │          │   Customer Service      │
│                         │ ────────▶│   Performance           │
│   • Market Strategy     │          │                         │
│                         │          │                         │
│   • Channel Strategy    │          │                         │
└─────────────────────────┘          └─────────────────────────┘
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Sources: Own Compilation (2018)

Analysis on Demographic Characteristics of Retail Businesses in the Study

This section studies the profile of retailers in Yangon through six factors. They are year of establishment, number of employees, year of working in job, occupation, education and type of the main products. This can be seen in Table (1).

Table (1)Demographic Characteristics of Retail Businesses in the Study

Items	No. of firms	Percentage (%)
Year of Establishment		
41-45	2	5
36-40	-	-
31-35	2	5
26-30	8	20
21-25	9	21
16-20	4	10
11-15	7	17
5-10	7	17
>5	2	5
Total	41	100
No. of Employees		
60-69	14	34
70-79	2	5
80-89	3	7
90-99	3	7
Above 99	19	47
Total	41	100

Source: Survey Data (July, 2018)

Table (2)Type of Main Products Sold in Retail Businesses in the Study

Type of Main Products	No. of firms	Percentage (%)
Electrical Products & Telecom	15	18
Construction Equipment	4	5
Food & Beverage	11	13
Machinery	6	7
Chemicals	1	1
Consumer Products	14	17
Pharmaceutical/Health Products	12	15
Others (Specify)	20	24
Total	83	100

Source: Survey Data (July, 2018)

According to the Table (1), year of establishment of retail firm is divided into nine groups: 21 % of retail firms that have been operatingfrom 21 years to 25 years is maximum. 20% of retail firms operate from 26 years to 30 years. 17% of retail firms have been operating from 11 years to 15 years and from 5 years to 10 years. 10% of retail firms operate from 16 years to 20 years 5% of retail firms have been operated from 41 years to 45 years, from 31 years to 35 years and less than 5 years.Therefore, it can be seen that retail firms are well experienced in their respective business areas.

By concerning with the number of employees, most of retail firms are above 99 employees which is 47% of the respondents. And34% of retailers have 60-69 employees. 5% of retailers have 70-79 employees 7% of retailers have 80-89 and 90-99 employees respectively. Some of surveyed firms have professionalized upgraded logistics systems and logistics managers. Therefore, it can be seen that large retailers have above 99 employees.

Most of retail firms sell customer products, electronic, food and beverage and electrical products &telecom . 17% of respondents sold consumer products.18% of respondents sold electrical products and telecom.13% of the respondents sold food& Beverage .7% of respondents sold machinery. The others included monk robe, books, watch, bags, sportware which was accounted for 24% of the respondents.

Reliability Test

To determine the respondent perceptions, reliability is a measure of the degree of consistency between multiple measurements of a variable. A common used of measure reliability is internal consistency, which applies to the consistency among the variable in a summated scale. In order to examine the internal consistency of the factors obtained or the scale used in this study, Cronbach's alpha was calculated. Generally, an alpha value close to 1.0 indicates high internal consistency reliability, an alpha value less than 0.6 is considered to be poor, values of 0.7 are considered acceptable and values above 0.8 are deemed to be good.

The following table describes the reliabilities (Alpha Values) and Validity of the variables.

Table (3) Cronbach's Alpha Scores for Reliability and Validity of the Variables

Sr. No	Variable	Items	Items Deleted	Alpha	Validity KMO	Bartlett's test
1	**Process Strategy:** 1.Coordination within the department	7	-	0.869	0.774	0.000
	2. Inventory Control	5		0.795	0.782	0.000
	3. Order processing	7		0.812	0.725	0.000
	4. Procurement	6		0.713	0.723	0.000
	5.Information technology within department	6	1	0.747	0.698	0.000
2	**Market Strategy:** **1.** Coordination across the department	5		0.769	0.757	0.000
	2. Customer service for special request	9		0.760	0.677	0.000
	3. Information technology with customer	6		0.785	0.781	0.000
	4. Inventory management for customized order	5		0.868	0.803	0.000
3	**Channel Strategy:** 1. Coordination with external parties	7	1	0.770	0.732	0.000
	2. Inventory management with suppliers	5		0.837	0.820	0.000
	3. Information technology with suppliers and customers	6	2	0.775	0.679	0.000
	4.Integrated customer service	5		0.852	0.799	0.000
4	Customer Service Performance	9	1	0.911	0.799	0.000

Source: SPSS Outputs

Analysis of Customer Service Performance on Logistics Strategy

As the main analysis, the study was applied multiple regression analysis to test the objectives of the effect of logistics strategy (process strategy, market strategy and channel strategy) on customer service performance.

Table(5) The Effect of Customer Service Performance on Logistics Strategy

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.	VIF
	B	Std. Error	Beta			
(Constant)	-.087	.571		-.153	.879	
Process Strategy	.531***	.178	.419	2.978	.005	2.032
Market Strategy	.375*	.219	.296	1.710	.096	3.064
Channel Strategy	.175	.175	.172	.996	.326	3.043
R	0.799					
R Square	0.639					
Adjusted R square	0.610					
F Value	21.824***					
Durbin –Watson	1.584					

Source: Survey Data (July, 2018)
***Significant at 1%,**5% level and*10% level (Dependent variable=Customer Service Commitment)
The following equation explains the relationship between the independent variables and dependent variables.
The Proposed Model is
$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_0$
Thus, the estimated model,
$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3$
Where,
Y= y= Customer Service Performance
a= Constant (intersection)
b= Coefficient (the scope of the regression)
X_1= Process Strategy
X_2= Market Strategy
X_3= Channel Strategy

Customer Service Performance = -0.087+ 0.531 Process Strategy
According to the equation, if retail industry is nothing to do the logistics strategy (process logistics strategy, market logistics strategy, and channel logistics strategy), logistics customer service commitment will be decreased 0.087.
According to the above equation, customer service commitment is influenced by market strategy at 1 percent significant level and has value of 0.531. The value of calculated

(Durbin-Watson) is 1.584 and each Variance Inflation Factor (VIF) is less than 10. These results show that serial correlation and multi-collinearity problems are not included in this analysis.

Customer service performance is influenced by process strategy. In retail industry, customer service performance is important and it can be achieved by coordination with functions of business. So they know customer needs exactly respond quickly. They can provide excellent customer service. By using market strategy, they can enhance the customer service program. Customer service is increased through product availability, accurate delivery time.

Findings and Discussions

Retailers have good result in purchasing and distribution, internal integration, efficiency from consolidating purchasing, selling and distribution. All of the retailers have formal ordering policies and their material and components are high percentage of the cost in overall value added process. Retailers have internal order checking, demand smoothing for order planning. So employees' satisfaction is getting forsmooth flow of order processing and picking. The procurement department is linked accounting and warehousing (inventory) departments. They use IT to check the inventory balance, to improve transaction speeds and reduced costs. Most of companies   do not agree that they have ability to accommodate delivery times for specific customers. Therefore they do not deliver goods to customers except furniture. Moreover customer satisfaction is increased product availability.In reverse logistics, retailers responds timely manner. Therefore customer complaints are reduced.

Recommendation

This research assesses the logistics strategy on customer service performance of retail industry. In Myanmar retail industry, dominant logistics strategy is process strategy. Some retail firms are more emphasize on market strategy on logistics management, but customer service they provided is standardized and they cannot respond quickly to customer special requests. The leading retail firms apply to channel strategy but their suppliers cannot support to align their strategy. So they use process strategy as main logistics strategy to get logistics coordination effectiveness and customer service   performance. Moreover it can be found that process strategy improve customer service performance that are not supported by marketing department in bad weather condition. It was unfortunate that logistics strategy did not have a significant impact on cost reduction and growth. The reason is that most of the products they sold are imported goods. So foreign exchange rate fluctuationaffects on profits.The location of the retail shop is in crowded area and they incurred high rental charges. As logistics is increasing in importance, managers should be concerned about how logistics strategy affects organizational performance.

Conclusion

In this research, role of logistics is increasing important in customer service performance. The perception of three dimensions of logistics strategy on customer service performance is studied at 41 logistics managers of large retail businesses. All the component of process strategy can provide more customer service performance than market strategy. Using market strategy incurs additional cost becausethey need to respond to customer demands. So retailers in Myanmar emphasize on process strategy to improve customer satisfaction.

Acknowledgement

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