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Impact of Late Deliveries on Customer (Retailer) Satisfaction in Retail Industry

Samiya Loya

Ph.D. Scholar, IQRA University, Main Campus, Karachi, Pakistan

Saman Ismail

Ph.D. Scholar, IQRA University, Main Campus, Karachi, Pakistan

Ahmed Abdul Majeed

Research Scholar, IQRA University, Main Campus, Karachi, Pakistan

Abstract:

This study aims to identify the impact of late delivered on customer (retailer) satisfaction in retail industry, with reference to the availability of FMCG products. In this study 3 hypotheses are developed & the technique of one sample t-test is used to test the relationship. This study checks the impact of 3 independent variables; information sharing, stock out & lead-time on a dependent variable customer (retailer) satisfaction. In this study self-constructive questionnaire were handed over to owners/mangers of super markets & big retail outlets. For data collection convenience sampling technique is used with a sample size of 75 respondents. Results reveal that there is a negative impact of lack of information sharing on retailer's business, whereas stock out situations are faced by most of the respondents on frequent basis but the respondents were quite satisfied with the delivery schedules & lead time commitments of the suppliers on the whole.

Keywords: late deliveries, retail industry, super markets, delivery schedules, lead time

1. Introduction

In retail industry the most important thing is customer services which is the core objective of any retailer. To give away the best quality assurance of customer service a retail strives to see on time the availability of customer preferred goods and services at the best of the quality & least possible price range. In Pakistan, retail industry is growing with leaps and bounds & small retail stores are changing into large super markets and hyper markets, and small branded outlets are altering into large multi-brand outlets. So with the expansion of industry the focal point of retailers is more towards customer satisfaction and loyalty.

The problem being studied here is:

The impact of not on-time deliveries of goods on consumer satisfaction in retail, where the retailer has been considered as customer

1.1. Hypothesis

- H1: There is an impact of Information sharing on customer satisfaction in retail industry.
- H2: There is an impact of Stock out on customer satisfaction in retail industry.
- H3: There is an impact of Lead time on customer satisfaction in retail industry.

This research is focused on the impact of late delivery of products on the satisfaction of retailer which itself can be concluded by the overall services level of the retail outlet & the consumer satisfaction. Nowadays the trend of supermarkets or more organized retail & grocery stores is booming in Pakistan especially in urban areas of the country. Satisfaction of retailer in context of delivery of products, their availability & management is dependent on four different variables which are identified as stock out, lead time, information sharing & over inventory of the products. These factors are very important in maintaining a flawless availability of products on shelves of the store & to manage the optimal inventory of products inculcating efficient usage of sales forecast to avoid any dissatisfaction of customer entering the retail premises.

2. Literature Review

The roots of SCM is often attributed to the Article by Drucker, "the Dark Continent economically" discussing the area of distribution as one of the major areas in business where higher efficiency can be attained, & cost of the process can be reduced. After that & throughout the next twenty years, the supply chain was still considered to endure a variety of contrasting functions Langley (1986). To achieve maximum efficiency in the supply chain, which combines the previously separate functions into one system, were necessary.

Therefore, the organizations need to analyze the in-house departments of the organization to eradicate duplication & assure that the overall cost can be calculated, & does not allow separate processes to control costs optimally.

2.1. Information Sharing

Much attention should be given to the exchange of information is emphasized by Kaipia Hartiala, (2006) and Daugherty (1999) calls the exchange of information is an integral part of popular programs of replenishment. Examples of such programs includes the planning of continuous on time replenishment and Vendor Managed Inventory Angulo, Nachtmann and Waller (2003) in addition to Efficient Consumer Response (ECR) Frankel (2002) along with rapid response. Precise emphasis is also placed on information gathered from point of sale (POS) data. There is a growing interest in how policy makers actually apply to these scenarios (Smith & Mentzer, 2010). Sterman (1989) interprets this phenomenon as a result of the behavior of irrational players involved in the study & their misunderstanding or miscommunication of the information.

2.2. Lead Time

Time management, especially the lead time of delivery, can be a cutthroat benefit. To take control lead time, time management is a mirror image of the management of quality, price, innovation & productivity. Sinking wasted time of processes automatically perks up the performance of other measures with the multiplier effect. Making flow chart of activities that depicts out the non value-added activities of any process or operation helps out in improving the flaws in the process. Time is mostly wasted in mono toning the activities of self-governing action, & failing to bring together the dependent activities on time (bad timing), producing parts that were rejected (objectionable quality), or workflows made for the processes are ineffective (poor diagrams). Time-based competition is the capability to move the products from the source to the required place with a better speed & efficiency than the competitors. To do better than the competitors companies strive to find the flaws in the process which brings out several causes of inefficiencies. This process of analyzing the whole process & mitigating the flaws of the process brings out lots of benefits to the company both in monetary as well as in context of customer satisfaction. Instead of execution of a series of operations, which combines in to parallel or concurrent method generally with the help of a multidisciplinary projects team (Wensley, 1988).

2.3. Over Inventory

We have got to pay serious concentration to this "Cinderella" store, & before the clock beats twelve, to understand & that efficient inventory management is indispensable for the success of contemporary companies. Inventory management is more than just a prediction & a fine inventory situation but the good management of inventory results in optimizing the service & profit of the firm. One has to establish the good economic order quantities, taking into account the entire supply chain of the firm, & defining the suitable level of service with full knowledge of its effect on stock management.

2.4. Stock Out

A recent survey of national chain of retail super marts (Andersen Consulting, 1996), 8.2% of the items were out-of-stock (which was over 15% of section publicized). Out of stock problem was worse in categories such as bottled water (10.7%) & refrigerated juices (10.0%), & the change varied from 8-10% nationally for these products base such as Consumer Reports declared in 1987 study, some mail order companies showed that this is not one of the traditional retail, as demonstrated by the fact that customers of mail order items reported an out-of-stock, the most common symptom. Retailers balance the benefit of adding a collection of products, costs associated with a higher probability of pots, & load balancing to maintain a certain inventory compared to the commitment of stock outs.

Progressive Grocer in 1968 held a research to observe & evaluate the situations of stock outs particularly in the super markets & retail sector. Previously the studies were done on the complete stock which was sold to the retailer, but in this study the evaluation of the data was done by considering the unsold stock in the market at particular time. The investigation entailed out the results that one of the big reason of stock out in retail outlets is the disarrangement of the delivered stock by the supplier, most of the times the particular item which is not available on the shelf of the market for the consumer lies behind in the warehouse of that particular retailer who does not have any proper records of his stocks lying behind in his warehouse.

In another research conducted in a more urbanized area, test for 26 weeks, on 159 consumers who were given the stopover at home to buy three products of different categories which were moved out of stock by the researcher time to time to analyze the behavior of the consumer on the alternate basis, the observations of the entire group of customers & their approaches towards the stock outs of their preferred products resulted in switching of the consumers to the relative products in case of stock out but on the average most of the consumers switched back to their preferred products once the people find stock out. (Musa, 2011)

2.5. Customer Satisfaction

Measuring & analyzing customer satisfaction is relatively new concept for most of the companies in a recent era, for the companies focusing only on tax returns, net incomes & managing profitable balance sheets customer services & retention is a new but important concept. According to Stanley (2010) companies and corporations now are recognizing the effect of change in global economy which have increased the global competition very fiercely, increase in competition with very crowded markets & increasing needs and wants of today's customers have put the companies in a very tight situation as nowadays product differentiation has been very small as R&D & continuous improvement in products of companies have led the sales of the products very hard, to tackle the situation companies

now are focusing on customer services and promoting the products through innovative customers services campaign & marketing gimmicks. In the recent era of services only their sharp companies which are focusing on customer services have been able to continue their steady growth in sales charts.

Competitors, whom develop in the new global economy, recognize that customer satisfaction is the key measurement. Only in this way the customer base found to be intact, & by understanding better needs of the customers, more attract new customers can be attracted (Forester, 1961).

2.6. Research Methods

Self administrative questionnaire were given to 75 Owners/Managers of super markets & big retail outlets. Those respondents were briefed thoroughly about the questions at the time of recording their responses. Convenience sampling technique is used. Sample size of 75 is taken as the research is limited to Karachi city only, the total population of super markets or retail outlets cannot be calculated as there is no official data available, hence considering the population as infinite. Data collection was done through questionnaire.

2.7. Validity & Reliability Test

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .634 | 5 |

2.8. Research Model Developed

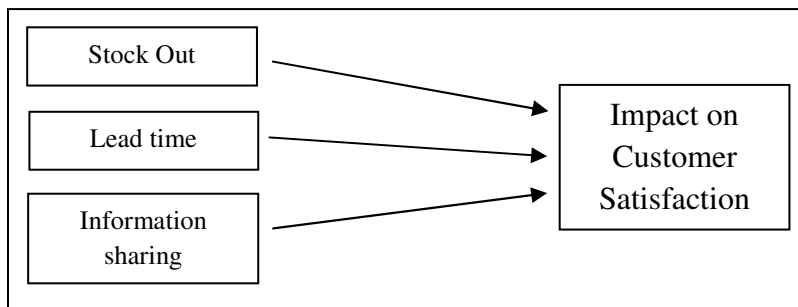


Figure 1: (Self Structured Model)

2.9. Statistical Technique

As the research is based upon assessing the relationship between the dependant & independent variables, one sample t-test was applied to test the hypotheses, using the SPSS software.

3. Results

3.1. Interpretation and Finding of Result

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|----|------|-------------------|-----------------|
| Satisfied with the services of supplier. | 75 | 2.39 | 1.916 | .221 |
| Satisfied with the information sharing patterns of your supplier. | 75 | 2.39 | 1.916 | .221 |
| Encountered the situation of Stock Out. | 75 | 5.00 | .000 ^a | .000 |
| Facing the issues of lead time commitments from your supplier very often? | 75 | 1.00 | .000 ^a | .000 |

a. t cannot be computed because the standard deviation is 0.

Table 1: One-Sample Statistics

| | Test Value = 4 | | | | 95% Confidence Interval of the Difference | |
|---|----------------|----|-----------------|-----------------|---|-------|
| | t | Df | Sig. (2-tailed) | Mean Difference | Lower | Upper |
| Satisfied with the services of supplier. | -7.290 | 74 | .000 | -1.613 | -2.05 | -1.17 |
| Satisfied with the information sharing patterns of your supplier. | -7.290 | 74 | .000 | -1.613 | -2.05 | -1.17 |

Table 2: One-Sample Test

- H1: There is an impact of Information sharing on customer satisfaction in retail industry.

The statistical test shows that there is a significant impact of information sharing from suppliers on the satisfaction of retailers, because majority of the respondents agreed to the statement that suppliers do not share the right information on right time which causes a negative impact on the business of retailers. The mean difference -1.613 from the mean value 4 describes that there is a deviation of 1.916 which results in the rejection of hypothesis.

- H2: There is an impact of Stock out on customer satisfaction in retail industry.

The mean value 5 in this statistical test shows almost all of the respondents have faced the situation of stock out. The standard deviation of .000 shows that there is no deviation in the responses of the respondents. H3: There is an impact of Lead time on customer satisfaction in retail industry.

The mean value 1 in this statistical test shows nearly all of the respondents have denied that they ever faced the issues of lead time in delivery schedules from their suppliers. The standard deviation of .000 shows that there is no deviation in the responses of the respondents.

3.2. Hypothesis Assessment Summary

| Hypothesis | Result |
|---|--------|
| H1: There is an impact of Information sharing on customer satisfaction in retail industry | REJECT |
| H2: There is an impact of Stock out on customer satisfaction in retail industry. | ACCEPT |
| H3: There is an impact of Lead time on customer satisfaction in retail industry. | ACCEPT |

Table 3

4. Conclusion, Discussions, Policy Implications and Future Research

4.1. Discussions and Conclusion

Information sharing is one of the most important variables of satisfaction in retail industry, in today's world holding on to business information is not a case anymore, & now a day's businesses are most likely to share the information with each other to acquire the mutual benefits of the right information. On the other hand & this research also explains the situation of stock out in the retail outlets of Pakistan, stock out is one of the biggest issue of retail industry in the country & due to many reasons such as lack of information shared by retailer with the suppliers, incorrect stock counts made by the suppliers, weak & inappropriate forecasts made by the retailers working on the small scale, adding of more variety of products by lowering the inventory of particular product in the stock, & stock out can also be occurred by the unavailability of products on suppliers side. Whereas issues of lead time are faced by the retailers of the country on a negligible count, as the supply chain specially the distribution sector of our country's FMCG companies is very strong & the system is followed in a way that an order booker comes to the retail outlet to book the orders & on the very next day the delivery van delivers the products on the specified outlets by the order booker. Almost every retailer that had been interviewed was satisfied in the concern of lead time or deliveries by supplier.

It can be concluded through this research study that the sharing of right information on right time by the suppliers with the retailers have a very significant impact on the businesses of retailers, right information acquired from suppliers on right time can save the retailers to make faulty decisions at times & through this the retailers would also be able to satisfy their customers with the complete information on time. Whereas the variable of stock out explains that there is a negative impact of stock out on the satisfaction of retailers & the research indicates that almost all the respondents have faced the situation of stock outs which have an adverse effect on their businesses. On the other hand & the research also concludes that majority of the retailers are satisfied with the services of suppliers in their commitments of delivering the products on time once have committed.

4.2. Policy Implications and Future Research

This research implicates that the companies should take in consideration the variable of information sharing with high importance as by sharing & gathering the right information on time companies & retailers both can avoid the situation of stock out & issues of lead time thus by minimizing the adverse effects of stock out, lead-time & lack of information sharing companies & retailers both can satisfy their customers at the most. Present research is based on one city. Taking a sample of 75 respondents from one city, in future research samples shall be taken from multiple cities. Presently, research based on the variables of information sharing, stock out & lead time, in future the variables such as over inventory, service quality & information technology.

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