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Effects of Logistics Policies on Customer Service Performance of Tea Companies in Mombasa, Kenya

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Abstract:

The purpose of this study was to examine the effect of logistics policies on customer services performance of tea companies in Mombasa. As competition in the services sector is constantly increasing, the ability of companies to understand their customers and ensure their satisfaction with the services received is becoming more and more significant. The objectives of the study were to determine the effect of outsourcing of logistics activities on customer service performance, the effect of supplier relationship management on customer service performance and the effect of inventory management on customer service performance. Through the Resource Based View theory which is an approach to an organisation achieving competitive advantage and Relationship Commitment Model that provides the determinants of a relationship commitment, the research is able to identify and analyse the objectives to be covered. The sample size was to be drawn from a population of 57 shipping managers working in the various tea companies spread across Mombasa Island that handle the logistics function. In this regard, 57 questionnaires were administered to the respondents to aid in the gaining of the primary data. Secondary data was obtained from published documents such as journals, magazines and reports to supplement the primary data. The raw information was analyzed to yield qualitative and quantitative data. Quantitative data was analysed using SPSS version 20.0 and MS Excel and result presented in forms of tables. The study findings showed that outsourcing, inventory management and supplier relationship management has an effect on customer service performance of tea companies in Mombasa. Outsourcing was the most significant and had a positive relationship at 5% level of significance and 95% confidence level.

1. Introduction

1.1. Background of the Study

In the last decades, the role of logistics in organizations has been changed drastically. It is quite evident that there has been an increasing attention directed towards logistics as a competitive weapon for organisation success in most firms. Despite over two decades of recognition of logistics as a source of competitive differentiation, there has been little effort put into building a theory of the role of logistics in the organization (Mentzer et al., 2004).

(Mentzer et al, 2001) define a supply chain as “a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from source to customer.” (Ho et al. 2002) conceptualize SCM as having three core elements: value creation, integration of key business processes and collaboration. Based on this conceptualization, they define supply chain management as the philosophy of management that involves the management and integration of a set of selected key business processes from end user through original suppliers, that provides products, services, and information that add value for customers and other stakeholders through the collaborative efforts of supply chain members (Ho et al., 2002).

Logistics is an important component of supply chain management (Stank et al., 2005). The Council of Supply Chain Management Professionals (2007) define logistics management as “that part of Supply Chain Management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers’ requirements.” Both (Stank et al. 2002) and (Lin, 2006) describe the importance of integrating the logistics processes of all supply chain partners to better serve the needs of ultimate customers.

Fierce competition in today’s global markets coupled with the introduction of products with shorter life cycles, and increased levels of expectations from customers has forced business enterprises to invest in, and focus attention on, their supply chains with the aim of managing it efficiently and effectively through the use of the emerging technological and communication infrastructure. This thus forces customer value creation to become an important area where firms can create a sustainable competitive advantage and as such logistics keeps on gaining significance in the supply chain management because of the dynamic business environment. This allows logistics to be used as an effective source of sustainable competitive advantage by an organisation to meet and exceed the expectations of its existing and prospective customers (Beckett, 2005). Logistics therefore acts as the interface between the market place and the organisation wishing to satisfy its customers and it becomes a key area for creating value for the customer.

A key characteristic of many very successful organizations is a supply chain that is truly connected to their customers. A customer driven supply chain is achieved through the understanding of the customer requirements, senses and responds rapidly to demand signals from all partners. The challenge therefore is to successfully put in place the organisation structure, systems and processes which tackle the root causes of supply chain inefficiency. One of the key foundations of being customer driven is to have a robust and dynamic supply chain, where risks are understood and addressed. Specifically, by putting customer driven mechanisms in place to manage supply chain efficiency and effectiveness, organizations can consistently execute plans and service levels; collaborate across functions and possess the decision support and governance needed for an ongoing strategy and decision-making process that derives competitive advantage from the supply chain.

1.2. Global Perspective

There exists a strategic nature of cooperation among participants of a supply chain that aims at good customer service. There are various definitions of supply chain. Most of them, however, have references to the customer, for instance, according to the definition made by the European Committee for Standardization, a supply chain is a sequence of processes contributing value added to the product during its flow and processing from raw materials through intermediate forms until it reaches the form compliant with the customer's requirements. M. Christopher associates the supply chain with the customer's needs, holding that the supply chain management is "the management of upstream and downstream relationships with suppliers and customers to deliver superior customer value at less cost to the supply chain as a whole (Christopher, 2000). The definition indicates that the end recipient is the customer of the supply chain.

It is essential for firms to have measurement tools to gauge its service performance as it creates understanding and leads to competitive results. Most of the time, logistics managers have overlooked an outward orientation towards the customer that calls for competition on superior value delivery and end up focussing on operational focus through relying on internally generated measures to assume customers opinions of the provided service. Assessing of customer's perceptions and expectations is also motivated by the objective of reducing the business operating uncertainties which affect business strategies and tactics, thus affecting logistics and marketing strategies.

In the present business world, logistics plays a key role for an organization focusing on growth and profitability. It also plays on a global stage which is crucial for the phenomenon of globalization. Globalization of businesses and liberalization of trade has increased the importance of the logistics function in the past few years. As businesses source raw materials and components globally, and sell their products in global markets, logistics management has been expanding beyond international boundaries. This has increased its complexity which requires strategic ways to manage logistics activities. (Bowersox, Closs and Cooper, 2010) noted that a firm can provide logistics service equal to or even better than a competitor's but still have dissatisfied customers. This may arise from the lack of knowledge of customer expectations, improper standards of performance, performance failure, poor communication or incorrect customer or firm perception of performance." (Bowersox, Closs and Cooper, 2010)

In practice, few supply chains achieve the holistic customer understanding. However, some companies are continuously working towards it. Walmart, for instance, knows that if its suppliers don't deliver, it won't either. Walmart depends on suppliers to provide access to the hot products that customers desire and it needs them to deliver on time. To help keep suppliers on the same page, Walmart employs a Web-based tool called Retail Link. Supplier account managers log in to find out how well their products are selling. They can see daily inventory levels and flow-through rates. They can also track margins. More impressively, they can do this at the individual store level or in different geographic regions. Suppliers can, thus, strive to match supply to demand both in terms of the types of products to sell at individual stores and in terms of when and how much to ship to keep shelves stocked.

It is therefore evident that constant changes in the business environment are placing demand on organizations to raise their standards of performance by optimising efficiency, responsiveness and learning's in their operations (Mintzberg, Lampel, Quinn & Ghoshal, 2003). The ability to meet customer and financial goals can be influenced significantly by the degree of effectiveness and efficiency achieved in managing operations in the supply chain.

1.3. Local Perspective

The tea industry is one of the oldest in Kenya with the first tea bush having been introduced and planted in 1903. Commercial activities however began much later in 1924 when private companies started and developed commercial plantations. The industry currently has over 100 factories and constitute of two sub sectors: the plantation sub sector which is owned and operated by private companies and the smallholder sub sector managed mainly by Kenya Tea Development Authority (KTDA) and other individual small scale farmers.

The tea industry in Kenya and East Africa at large is facilitated by East Africa Tea Trade Association (EATTA). The association plays a key role in facilitating a world class trading platform for African teas. The largest producer of black tea in the world is Kenya Tea Development Agency Holdings Limited (KTDA). This therefore means that Kenya remains to be a big player in the tea industry worldwide. About 80% of Kenyan tea is sold through the Mombasa Auction which is the second largest tea auction in the world. The tea auction is regulated by the East Africa Tea Trade Association and takes place every Monday and Tuesday all year round except on public holidays. Teas are offered at the auction by brokers on behalf of the producers. The producers also sell about 15% of their total production directly through private arrangements with tea exporters and importers across the world with the remaining 5% being consumed locally. The different players in the tea industry division provide logistics solutions in consolidation, clearing and forwarding, shipping, warehousing and distribution in order to meet the different customer's demands in a cost effective way. This usually means offering the highest quality service to the customers while incurring the lowest cost but within the required timeframe.

There are progressive steps followed by each division in order to meet the specific customer demands. For instance, each player in the industry has to procure tea for the different clients it serves as per the customers taste and at the right price. Additionally, since each firm has different customers who have different preferences, caution has to be taken to ensure each customer is served without showing bias to any particular client.

The purpose of the company's logistics process is to consolidate teas from the different warehouse across the Mombasa Island to the respective warehouses for preparation and ultimate shipments. The logistics process ends with the delivery of containers to the stuffing warehouse and the delivery of the container so as to connect with the nominated vessels. Thus the logistics function remains as one of the highest cost centres for each company and also the source of differentiation for the respective company in terms of service delivery to the customers. Timely consolidation of the teas to the respective warehouse translates to the prompt delivery of the shipments which will thus lead to meeting of the customer demands. This is significant to customer retention in a market defined by characterized by promiscuity, with reference to the customer base. In these markets, customers will buy a brand for an opportunity and then it is likely to buy another one next time.

The biggest client base being served by all the industry players as per the Kenya Tea Export Data 2105 comes from Pakistan. However, of importance to note is that Pakistan is the biggest market for not only the Kenyan teas, but also other producers worldwide and therefore there is usually high competition to gain a substantial client base in that region by all traders in the tea industry which translates to very high competition within the industry both within. This therefore implies that all the players in the industry, have to differentiate themselves in terms of service deliveries in order not only to retain but also attract additional clients.

1.4. Statement of the Problem

Logistics managers increasingly find themselves assigned the role of the rope in a very real tug of war—pulled one way by customers' mounting demands and the opposite way by the company's need for growth and profitability. Many organizations are adapting difficultly to the competitive environment because in the past they have focused on the traditional aspects of marketing - development of production, promotional activities and price competition issues focused more on getting customers than on keeping them.

Each player in the tea industry has quite a number of clients that it serves both within and outside the country. However there have been shifts in the client base both externally and internally across the industry. The current logistics system employed by most if not all the players has significant shortcomings regarding its efficiency and effectiveness. It is evident that the key factor leading to these losses are logistical inefficiencies which can be addressed or rather reduced to almost minimum. Key customer complaints arise from late shipments of the teas to the overseas clients and also late delivery of teas to the local clients which affects their production schedules and ultimately their service deliveries to their clients.

Additionally, logistics is one of the major cost centres for all firms and cost have been on an upward trend due to the improper handling of the logistics activities. In a market defined by price movement with respect to the auction price, late delivery of the products has a direct impact in the profit margins especially to the client. Customers value the products not only by quality, but also by availability and logistics is able to increase this value in order to improve customer satisfaction and create competitive edges. According to Cooper, supply chain management is an integrative philosophy to manage the flow of a distribution channel from supplier to the ultimate user (Cooper et al, 1997). Thus logistics which is a key component of the company's operation has to ensure that the client gets value for his/her investment.

1.5. Objective of the Study

The General Objective of the study was to find out the effect of logistics policies on customer service performance of tea companies in Mombasa

The specific objectives include

1. To evaluate the effect of outsourcing of logistics activities in tea companies in Mombasa affects customer service performance.
2. To establish the effect of supplier relationship management on customer service performance in tea companies in Mombasa
3. To establish the effect of inventory management on customer service performance in tea companies in Mombasa

1.6. Research Hypothesis

In order to achieve its objectives, the researcher used the following hypothesis in line with the research objectives:

- Ha₁: Outsourcing of logistics activities affects customer service performance of tea companies in Mombasa
- Ha₂: Supplier relationship management affects customer service performance of tea companies in Mombasa
- Ha₃: Inventory management systems affect customer service performance of tea companies in Mombasa

1.7. Justification of the Study

In order to be internationally competitive, businesses are organising strategic worldwide networks that can deliver an efficient and high-quality response to demand from any segment of the world market. The efficient and integrated organisation of such activities is often referred to as global logistics or supply chain management (SCM), and it has become the core of global competitive power. This becomes one source of differentiation for any firm that strategically places its logistics function and in turn leads to customer retention. Logistics networks serve as a circulatory system for the corresponding value-adding chain where various components in the logistics network serve different functions in an organisationally unified manner. Customer service management process can be achieved through custom is the firm's face to the customer. It provides the single source of customer information, such as product

availability, shipping dates and order status. Real-time information is provided to the customer through interfaces with the firm's functions, such as manufacturing and logistics.

The study shall be of significance to the management of various tea buying and selling companies in the entire tea industry, additionally, firms that offer logistics solutions will stand to benefit from the study as it evaluates effectiveness of the supply chain in relations to the internal factors of the organization. Companies as a whole stand to benefit from this because they can use the recommendations to form a basis for enhancing an effective supply chain that is customer focussed. This will lead to improvement on customer satisfactions and this directly translates to the organisation's effectiveness in meeting its demands.

The study will be also significant to future researchers as it will act as a source of information on strategic supply chain management with emphasis on customer focus in the supply chain. This will thus be a source of ready and reliable literature that can be used by future scholars as a reference point for other related studies. The study will also aid the management of different tea companies in Mombasa to review their logistics policies where need be in order to attract and retain the most important asset of the company, customers.

1.8. Scope of Study

This study will cover the tea industry players based in Mombasa who are involved in buying tea, either through the Mombasa Tea auction or privately for the purposes of exporting that tea to various tea consuming countries around the world. The concentration will be on how logistics policies impact the customer service performance levels. The study targeted a sample of 57 shipping managers of the various tea companies that handle the logistic function. The focus was mainly on how the management of the logistic component can attract and retain customers.

1.9. Limitations of the Study

The limitations of the study were that some targeted respondents were reluctant to share sensitive information while others misinterpreted the intentions behind the research and refused to provide accurate information for fear of disclosure besides assurances of confidentiality. However, by discussing the relevance of the study to the respondents it helped to provide the required information. The researcher presented an introduction letter obtained from the University to the organization management and this helped to avoid suspicion and enabled the organization management to disclose much of the information sought by the study.

The issue of unreturned questionnaires and uncooperative respondents proved difficult for the researcher. The respondents were assured that the research was only for academic writing and would not jeopardize their positions in any way. Follow ups were also made to facilitate the response rate. The organizations confidentiality policy restricted most of the respondents from answering some of the questions since it was considered to be against the organization confidentiality policy to expose the organization's confidential matters. The suspicion normally associated with any kind of a research study. This was solved by assuring the respondent of utmost confidentiality and disclosing the academic purpose and intention of the study.

2. Literature Review

2.1. Introduction

This chapter tries to identify, locate and analyse relevant information related to the research topic. Reference is to be made from available documents both published and unpublished. Explanations of the existing theories and analysis of the past established is made which outlines the organized understanding of the major issues and past research. The literature review is to be based on the specific objectives in order to ensure that the focus of the study remains on the research topic.

2.2. Theoretical Framework

2.2.1. Resource Based View Concept

The Resource Based View (RBV) is an approach to achieving competitive advantage that emerged in 1980s and 1990s, after the major works published by Wernerfelt, B. ("The Resource-Based View of the Firm"), Prahalad and Hamel ("The Core Competence of the Corporation"), Barney, J. ("Firm resources and sustained competitive advantage") and others.

Resources may be thought of as inputs that enable an organization to carry out its activities. Where organizations in the same industry have similar resources but differing performance, it's evident that there is difference in the extent of utilization of the resources. RBV emphasizes that the internal capabilities of the organization in formulating strategy helps it achieve a sustainable competitive advantage in its market. The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. According to the RBV, market success of organizations is not primarily a function of the external environment it works in, but the specific tangible and intangible resources and capabilities that organizations control. The following model explains RBV and emphasizes the key points of it.

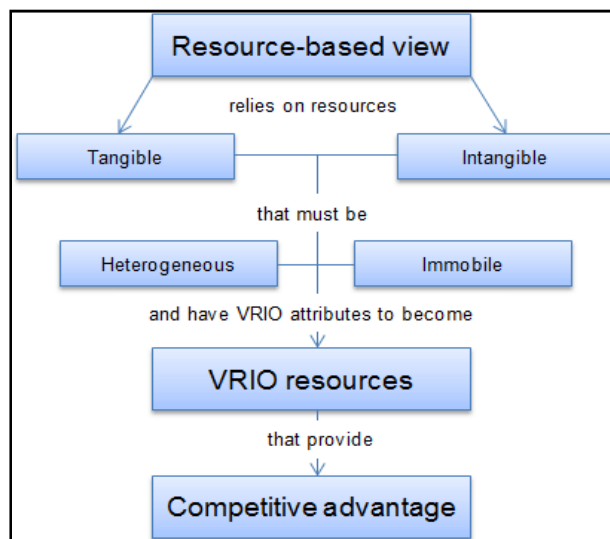


Figure 1: VRIO framework adopted from Rothaermel's (2013) 'Strategic Management', p.91

According to RBV proponent's resources are given the major role in helping companies to achieve higher organizational performance. There are two types of resources: tangible and intangible.

Tangible resources refer to the physical assets that a firm possesses and can be categorized as physical resources, financial resources and human resources. Physical resources may include the current state of buildings, machinery, materials and productive capacity. These physical resources must be capable of responding flexibly to changes in the market place in order to add value thus firms with the most up to date technology will be at an advantage. However physical resources can easily be bought in the market so they confer little advantage to the companies in the long run because competitors can soon acquire the identical assets.

Intangible resources on the other hand comprise of intellectual/technological resources and reputation. Intellectual resources include patents, trademarks, intellectual property and copyrights which themselves may derive from the firm's technological resources. Technological resources include a firm's ability to innovate and the speed with which the innovation occurs. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot buy from the market. Intangible resources usually stay within a company and become the main source of sustainable competitive advantage.

2.2.2. Relationship Commitment Model

(Sharma and Patterson, 2000) provided a model of determinants of relationship commitment. The model consists of three factors such as communication effectiveness, technical quality and functional quality, all affected by trust in the relationship which in turn affects relationship commitment. Trust is the belief that the service provider can be relied on to behave in such a way that the long-term interests of the buyer will be served. This therefore implies that a stronger relationship commitment is as a result of a greater level of trust. One key source of trust between the customers and the business is satisfaction that is drawn from past experiences between them.

According to (Sharma and Patterson, 2000), service quality is divided into two components; technical quality and functional quality. Technical quality relates to the actual outcomes as perceived by the client in terms of best returns on investment at accepted levels of risks that may be involved. Functional quality is concerned with what is delivered and how the service will be delivered. Thus the level of trust is directly dependent on the perceived quality offered to the customer.

Communication effectiveness is referred to the formal and at times the informal sharing of meaningful and timely information between the business and the customer. This serves the purpose of keeping the customer informed about their investments thus creating confidence in their ability to assess any financial risks that may arise and any possible outcomes. Consequently, the greater is the communication effectiveness, the stronger is the relationship commitment, (Sharma and Patterson, 2000)

2.3. Conceptual Framework

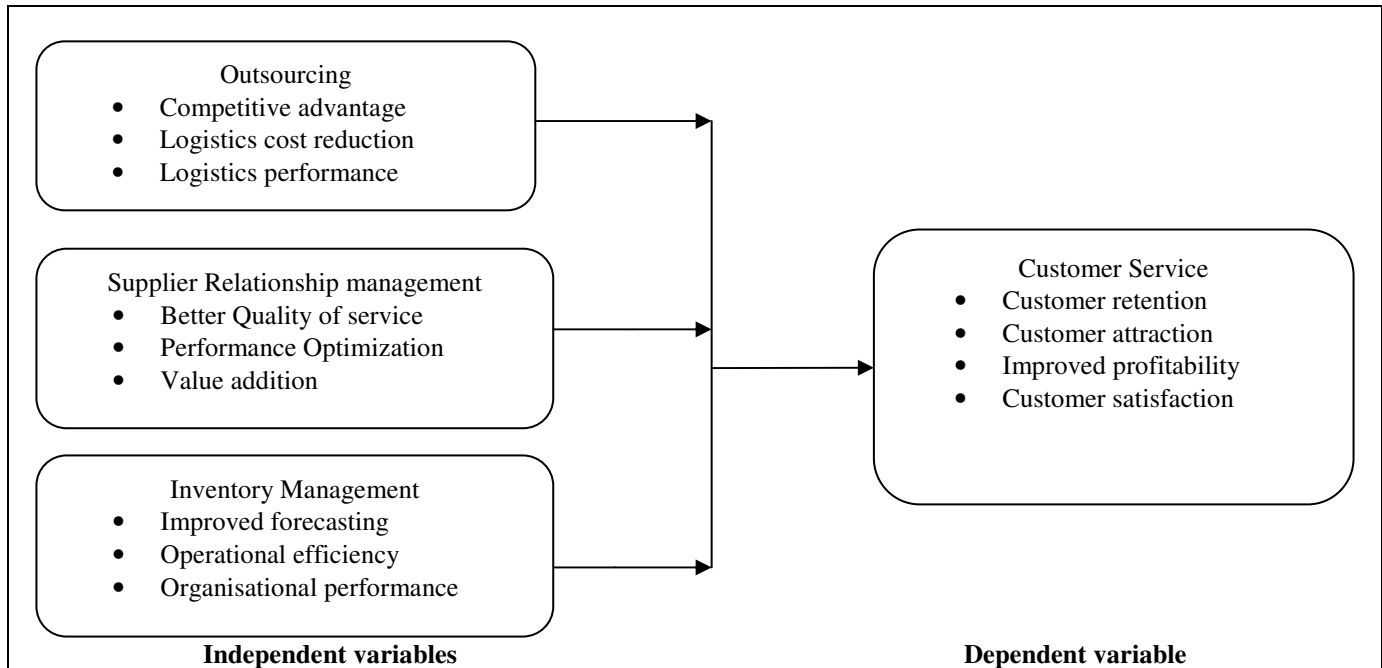


Figure 2

2.3.1. Outsourcing

Outsourcing is a decision of a company about “make or buy” goods or services. As for logistics outsourcing, if the company operates logistics activities more cheaply than hires someone to manage it, the company should insource. However, if the company operates those activities more expensively than hires someone to do it, the company should outsource (Zineldin and Bredenlow, 2003). Another explanation by Murphy and Wood (2004) is that outsourcing is the process when an organization allows a specialist company to provide its non-core activities.

Logistics outsourcing and third-party logistics originated in the 1980s as important means for improving supply chain effectiveness (Maloni and Carter, 2006). Third-party logistics was initially defined as “the use of external companies to perform logistics functions that have traditionally been performed within an organization. The functions performed by the third party can encompass the entire logistics process or selected activities within this process” Outsourcing therefore denotes utilization of external resources. It occurs when the execution of tasks, functions and processes previously fulfilled in-house is commissioned to an external provider specializing in a given area on the basis of long-term co-operation. Outsourcing is thus defined as the operation of shifting a transaction previously governed internally to an external supplier through a long-term contract. According to this definition, five elements characterize strategic outsourcing: (1) a close link between outsourcing processes and the key success factors of a firm in an industry. (2) The transfer of ownership of a business function previously internalized, often including a transfer of personnel and physical assets to the service provider. (3) A global contract, longer and denser than a classical subcontracting agreement. (4) A long-term commitment between the client and the service provider. (5) A contractual definition of service levels and of each partner’s obligations. Through outsourcing an enterprise is able to concentrate on its strategic tasks and goals- the core activity.

Logistics capabilities are an important source of competitive advantage and this thus translate that the configuration of the individual logistics processes depends largely on the current phase of logistical development. At the same time, the question arises which parties are involved in the formation and realization of the processes. When approaching the concept of logistics outsourcing, a company can basically choose between three different options to handle its logistics activities effectively and efficiently: (1). It can provide the function in-house by making the service. (2) It can either set up an own logistics subsidiary or buy a logistics firm or (3) It can outsource the service and then buy the service from an external provider.

There are some factors that drive companies to outsourcing logistics services with most companies intending to reduce cost in logistics activities, or they have limited investment for labors and equipment, and also they are required to improve level of logistics services (van Laarhoven et al., 2000; Wong et al., 2000). However, it is evident that one of the important driving forces behind outsourcing has been the increasing globalization of business. This is because the increase in demands on the logistics function that has led to more complex supply chains as a result of the growing global markets. Additionally, in the recent years, the outsourcing trend has gained even more momentum as a result of the consensus formed by that imply the utilization of a logistics service provider generally can reduce the cost of logistics processes and can increase their quality. Logistics service providers (LSP) suitable for providing these services today exist in abundance, reacting to the ever increasing demands of the customers and the subsequently developing markets. Due to the fact that a number of firms do not view logistics as a core competency or even if they do, are willing to outsource them to a third party, outsourcing has become a relevant option. However, since the needs differ in every individual case, Wallenburg (2004)

argues that every firm must answer two important questions before actually outsourcing: (1). which part of logistics shall be outsourced? (2) Who shall provide the service?

As outsourcing continues becoming a megatrend in many industries, most particularly in logistics and supply chain management, the overall scope of outsourcing is also continuing to grow, since most companies focus on their core competencies and shed tasks perceived as noncore. Outsourcing has proved to be able to provide a certain power that is not available within an organization's internal departments. This power can have many dimensions: economies of scale, process expertise, access to capital, access to expensive technology, etc.

In order to ensure the success of using contract logistics, certain additional factors are to be considered during and after the implementation of the outsourcing process. The first and foremost is that decision to outsource must come from the top. Communication between logistics users and providers is essential for the coordination of internal corporate functions and outsourced logistics is also a very important factor in this respect. Firms need to specify clearly to service providers their role and responsibilities as well as their expectations and requirements. Additionally, there are several other critical factors that make outsourcing work. They include focus on the customer; establishing operating standards and monitoring performance against those standards; knowing the payback period, benefits expected by the firm, and the means to achieve those benefits. However, understanding each other's cultures and organizational structure to ensure a good match, and knowing logistics strategy, i.e., understanding the logistics function's role in meeting the business objectives of the firm (e.g. differentiation or low cost) are the most important factors for successful outsourcing. The business objectives of the firm may dictate the extent to which it will use partners: outsource a single function or outsource all key functions.

Most importantly the human factor in outsourcing also has an effect that cannot be undermined. The company must involve the people currently providing the logistics service since their expertise enables them to facilitate the transition from in-house logistics to third-party logistics. Furthermore, they must be given an opportunity to move with the function if outsourcing is implemented, proving how valuable they can be. However, there is the risk that the fear of getting retrenched due to outsourcing of a function may prompt current employees to sabotage the process. The success criteria needed to establish sustainable partnerships in the area of contract logistics are the various relationships between the people involved. Open and honest environment, key management, coherent and effective internal measurement systems, mutual respect and empathy, commitment to investment, and financial and commercial arrangements are of particular importance in this aspect. Because of trust, the logistics company gains a chance to improve its service level and develops the relationship for long period especially strategic alliance and 4PL (Schwartz, 2003; Murphy and Poist, 2000; Whipple and Frankel, 2000)

The most frequently mentioned benefit of outsourcing is the reduction of the firm's logistics costs. This can become manifested in several different ways: LSPs can be more efficient than a manufacturer, due to the fact that logistics is their core business. Hence, specialization effects and the proper utilization of core competencies lead to lower production costs. Furthermore, inefficiencies which have not become apparent as long as the service was produced in-house and therefore was not subject to competition are eliminated. Lower production costs can also be achieved through economies of scale and scope resulting from the larger volumes of similar or equal logistics services a LSP produces and through the higher utilization ratio of the assets employed. Furthermore, logistics service providers can balance varying demand patterns better than a single manufacturing firm by diversifying their customer portfolios and reduce labor costs by benefiting from lower wage levels compared to those in manufacturing industries. Logistics outsourcing also directly affects the cost position of a firm due to a reduced need for capital investments. This is through reduced investments in facilities and also costly information technology expenditures can be saved when outsourced to a logistics service provider. The effects stemming from the reduction of capital investments ideally allow a firm to source only the required logistics services and to thus convert the formerly fixed costs of the logistics capacities into variable costs. Besides all these different potentials of cost reduction, however, logistics outsourcing has some further benefits for the firm. Especially in recent years the realization has spread among firms that outsourcing logistics can also lead to improvements in logistics performance that in-house could not be achieved. As a result of outsourcing, the expertise, technology, and infrastructure of the LSP can be utilized leading to a higher logistics performance in multiple dimensions. Also higher quality, better service, optimized asset use, and increased flexibility can be achieved through outsourcing. Additionally, a firm is able to achieve faster transit times, less damage, and improved on-time delivery. This increased flexibility is a major benefit for firms as it allows firms to become more responsive as the needs of the market or customers change, as the LSP contributes by supplying its know-how and existing resources. At the same time, the firm is enabled to concentrate on own core business and its core competencies. This is particularly significant with respect to the core competence debate suggesting that due to limited internal resources and a growing complexity of the market competitive advantage cannot be attained in all areas simultaneously and focusing is necessary. Outsourcing logistics to a service provider allows for this concentration on core competencies, reduces the complexity of the firms' business processes and consequently facilitates sustainable competitive advantage. Furthermore, outsourcing reduces both the strategic and the operative risk of the firm. The strategic risk in the form of investment decisions in assets is outsourced, as well as operative risks, e.g. missed deadlines, unexpectedly surging costs or quality problems in the logistics processes, which all now have to be borne by the LSP. Hence, outsourcing logistics is a benefit to overcome limited budget problem and have an efficient and effective logistics process (van Laarhoven et al., 2000; Zineldin and Bredenlow, 2003)

2.3.2. Inventory Management

Inventory is the stock of items kept by an organization to meet internal or external customer demand (Russell and Taylor, 2009). Inventory is a necessary evil that every organization would have to maintain for various purposes and thus optimum inventory management is the goal of every inventory planner. It is evident that over inventory or under inventory both have a direct financial

impact and health of the business and this can as well as effect business opportunities. Therefore, inventory holding is resorted to by organizations as hedge against various external and internal factors, as precaution, as opportunity, as a need and for speculative purposes. In any business, it is essential to have optimum inventory at all times. Over inventory stocking results in erosion of profits and increase in inventory carrying costs that effects the operational costs of the company, while shortage of inventory can lead to loss of business and sales opportunity which will not only result in revenue loss but damage company's reputation and reliability in the market and with customer

Inventory management is the overseeing and controlling of the ordering, storage and use of components that a company will use in the production of the items it will sell as well as the overseeing and controlling of quantities of finished products for sale. A business's inventory is one of its major assets and represents an investment that is tied up until the item is sold or used in the production of an item that is sold. It also costs money to store, track and insure inventory. Inventories that are mismanaged can create significant financial problems for a business, whether the mismanagement results in an inventory glut or an inventory shortage. Successful inventory management therefore involves creating a purchasing plan that will ensure that items are available when they are needed (but that neither too much nor too little is purchased) and keeping track of existing inventory and its use. Two common inventory-management strategies are the just-in-time method, where companies plan to receive items as they are needed rather than maintaining high inventory levels, and materials requirement planning, which schedules material deliveries based on sales forecasts. Inventory management entails study of data on movement of inventory, its demand pattern, supply cycles, sales cycles etc. Active management calls for continuous analysis and management of inventory items to target at lean inventory Management. The efficiencies of inventory management are largely dependent upon the skills and knowledge of the inventory planners, the focus and involvement of management and the management policies coupled with the inventory management system.

In any business or organization, all functions are interlinked and connected to each other and are often overlapping. Some key aspects like supply chain management, logistics and inventory form the backbone of the business delivery function. This therefore makes inventory management a very important function that determines the health of the supply chain as well as the impacts the financial health of the balance sheet. Every organization constantly strives to maintain optimum inventory to be able to meet its requirements and avoid over or under inventory that can impact the financial figures. Any organization which is into production, trading, sale and service of a product will necessarily hold stock of various physical resources to aid in future consumption and sale. While inventory is a necessary evil of any such business, it may be noted that the organizations hold inventories for various reasons, which include speculative purposes, functional purposes, physical necessities etc. From this definition the following points stand out with reference to inventory: (1) All organizations engaged in production or sale of products hold inventory in one form or other. (2) Inventory can be in complete state or incomplete state. (3) Inventory is held to facilitate future consumption, sale or further processing/value addition. (4) All inventoried resources have economic value and can be considered as assets of the organization. It is thus evident that inventory management and supply chain management are the backbone of any business operations. With the development of technology and availability of process driven software applications, inventory management has undergone revolutionary changes. In the last decade or so we have seen adaptation of enhanced customer service concept on the part of the manufacturers agreeing to manage and hold inventories at their customer's end and thereby effect Just in Time deliveries.

A company which identifies supply chain and inventory policy to be the enabler that will help the company gain an edge over competition in the market and use it to leverage its position will invest into engineering efficient supply chain models and inventory management practices to meet its business goals. Companies like HP, IBM, DELL, Wall Mart and Unilever etc. have invested continually into reviewing and re-engineering their inventory as well as supply chain strategies to meet with emerging market situations. All these companies have done away with traditional concepts of storage and inventory management and adapted the more efficient VMI-Vendor Managed Inventory, JIT - Just in Time and Customer Response systems. With the operating environment being highly competitive most of the companies have invested heavily into software and systems to be able to manage the inventory visibility and stocks as well as call offs thereby bringing efficiencies into inventory management operations. Systems driven catalogue management, system based forecasting, Statistical analysis of Sales Data and extrapolation using complex systems enabled forecasting methods and reports have brought in lean Inventory management concepts in these companies and their strategies have paid off very well. In effect their strategic focus and approach to inventory and logistics planning have been the key factors behind their success in the markets.

Inventories are a major component of any logistics system and as such require to be planned, managed and controlled in order to achieve the basic aims of minimizing costs at acceptable levels of investment and providing the desired levels of customer service. As a result of this responsibility, inventory management is accountable for the physical and financial levels of stockholding, the service level provided to customers, the control parameters within the inventory system and all the decision related processes in the total operation. Effective inventory management is at the core of supply chain management excellence. Management of multiple types of inventories including not only finished goods but raw materials, work-in-process, partner inventories and more, truly sits at the intersection of demand and supply. Companies keep facing a number of issues that are adding to their supply chain network complexity, which serve as headwinds to inventory management. Today, many if not most supply chains are feeling at least several of these sorts of network pressures: (1) Increased global scope and reach that must be managed (2) Significant network changes resulting from mergers, acquisitions and divestitures (3) Increasing virtualization and resulting loss of visibility and control (4) Challenges resulting from multi-channel go-to-market strategies and (5) Shrinking product lifecycles not only in well-recognized areas such as high tech and electronics but in virtually every manufacturing sector. As a result, companies realize that effectively managing inventories a node or level at a time is no longer good enough. The problems and challenges must be tackled more holistically,

considering strategies and tools that can tame the growing network inventory beast in a way that brings those inventory levels down while maintaining or even improving customer service levels.

2.3.3. Supplier Relationship Management

Today's integrated supply chains require collaboration at many levels and from various functions, and thus firms are increasingly looking for innovative ways to leverage existing and new supplier relationships for their expansion quest. Due to the increasing competition, organizations are focusing more and more on their strategic stakeholders, moving from the traditional relationship approach which is mainly based on a simple buy-sell relation without any collaborative character, to adopt a more long-term driving cooperative relationship with their business partners (Bowersox, D. J., and Closs, D. J., 2002). Supplier Relationship Management (SRM) is one approach to connect the different interests both within the organization and with the extended supply chain. SRM identifies and engages the right stakeholders to create ownership of the relationship, drive effective communication and align strategic objectives. This result in a foundation of continuous efficiency improvements, such as cost reductions, risk mitigation or improved go-to-market times just as well as improved potential for disruptive innovation. These benefits are then channeled to the firm's client base resulting to improved customer satisfaction index and this almost guarantees continuous loyalty from the customer.

Supplier Relationship Management is a comprehensive approach to managing an organization's interactions with the firms that supply the products and services it uses. It has its origins in the late 80's basing on the seminal work of Dwyer et al. about relationship theory and of Davenport and Short about process re-design. This approach is used for engaging with suppliers on a level that reflects the priorities of the customer organization and how best these needs can be achieved. Therefore, companies participating in a supply chain have to be willing to cooperate between each other in order to achieve an effective flow of product and information. Furthermore, the institutional economics postulates the importance of trust on the supply chain to cultivate business relationships and achieve competitive advantage (Grover, V., and Malhotra, M., 2003). While much of the emphasis is placed on the role and situation of the customer and supplier, the products and services being procured are extremely influential in how the organizations view and interact with each other. Through better understanding and responding appropriately to this triangulation it becomes possible to yield the greatest value from both the products/services and the enterprises involved. This leads to the gaining of appropriate competitive advantage against other market competitors in the same industry. SRM thus establishes a two-way, mutually beneficial relationship between an organization and its suppliers. It consists of collaborative and relationship building activities targeted at the most strategic and critical supply partners that deliver great added value to the firm (e.g. in terms of sustained competitive advantage or innovation). SRM provides for a consistent way of interacting and managing suppliers that promotes collaboration and continuous improvement from the supply base. Through the use of agreed processes, principles, communications and tools companies are better able to manage their existing suppliers within all areas of the company during the entire supplier lifecycle. Through this, SRM becomes an integrated approach, addressing both the buyer and seller sides, thus mutual benefits for each organization can be provided through an appropriate investment of time, resources, and executive support. A comprehensive SRM program can offset supply chain risk, enhance supplier services and support, maintain and improve upon the value acquired during original sourcing event, and even increase top-line revenue growth.

Through this improved relationships and continuous improvement from the supplier base are noticed as suppliers are encouraged to be more innovative in addressing corporate requirements while delivering the best service or product now and throughout the contract lifecycle. These has made supplier selection change to a broader selection model, in which suppliers are no longer selected based solely on prices, but also in aspects such as product quality and warranty (Campelo, E., Stucky, W., 2006).

SRM is focused on joint value creation based on trust, open communication and collaboration with a limited number of key suppliers. Leveraging on supplier capabilities is mentioned as the most important objective of SRM. Organizations are aware that they don't have the means to finance all activities on their own. Through the creation of good relationship with suppliers, activities that were always perceived as strong contributors to competitive advantage like product development, manufacturing, services, can be improved for the mutual benefit of both organizations and the purchasing organization's clients. Gaining access to unique knowledge, resources, capabilities, talent and ideas becomes an integral part of this key objective. SRM also plays a key role in cost reduction and increase in efficiency by setting up long-term relationships and establish communication processes with the benefit realized being shared together with partners. These findings have been supported by (Nelson, Moody, and Stegner 2005) who claim that investments in supplier development and supply base management yield huge payoffs. Security of supply is also another role that can be achieved through SRM. Globalization of supply chains, stronger fluctuations in demand & supply, scarcity of material, and preferential behaviour by sellers or even countries has made it difficult for companies to ensure product availability to customers and thus through means of partnerships, buying companies can get preferential treatment while driving out strong volume and mix fluctuations through integrated forecasting & planning, product substitution & simplification, and hedging. Other SRM objectives may include increase innovative power, reduce working capital, prevent reputational damage, enable closed-loop supply chain management, shorten time-to-market, increase supplier service, and improve product quality. All these have a direct impact on the firm's client base.

Over time, SRM processes and practices can help reduce availability problems, quality issues, and delays. Additionally, vendors are more inclined to share cost efficiencies gained through the adoption of new technologies or methodologies with businesses in which they have close working relationships. This enables the organizations depend on their preferred vendors to share new trends in their markets - providing for mutually beneficial cost advantages from both an operational and unit cost perspective. Also, through improved communications, suppliers come to better understand their client's business to meet their needs more effectively. When issues emerge, systems and controls in the put in place in the SRM program enable both parties to identify and address them

efficiently and effectively. As a result, information exchanged through the open communications channels established by the SRM program enables the supplier to understand their customer's problem more clearly and offer a solution from their expertise. For the achievement of the SRM objectives, organizations need to meet several prerequisites. It is very important to track the progress of the intended benefits in order to build credibility and ensure focus. Another important critical success factor is strategic coherence. First, the business should be internally aligned so that SRM fully contributes to business objectives. Once that is realized, a partnership will only succeed if there is a strategic coherence between the buying firm and key supplier. Additionally, support from the top management is critical as it ensures that the right priorities are set and that appropriate resources are allocated. Open communications at a leadership level can spark new ideas and elevate organizational discussions that can lead to an aligned strategic focus between companies, which can potentially result in competitive advantages for both sides. An organization benefits greatly when key suppliers reduce costs, introduce new services designed to address the organization's needs, and work with the organization to streamline joint processes. This process develops new services and products that can: (1) Increase customer and/or taxpayer value, (2) Close capability and performance gaps, (3) Create a reliable and long-term source of supply, (4) Provide access to new ideas and opportunities for improvement and (5) Prioritize capability development and supplier investment. In summary, Supplier Relationship Management (SRM) plays an important role in the reduction of costs and the optimization of performance in enterprises which have a direct impact on the relationship between an organization and its customers.

2.3.4. Customer Service

A customer is defined as any person, group or organization with whom a marketer has an existing or potential exchange relationship (Etzel, Walker & Stanton 2007). Kotler (1999) defined a service as "any act or performance that one party can offer another, which is essentially intangible and does not result in ownership of anything. According to Lysons and Farrington (2003), customer service is concerned with providing internal and external customers with high quality products and services at the lowest cost and with the shortest waiting time and maximum responsiveness and flexibility to their needs. Wood et al. (2002) reaffirmed this by articulating that customer service involves an array of activities to keep existing customers happy.

Customer service is one the most powerful ways available in any organization in that needs to gain competitive advantage against its industry rivals. The performance of customer service depends directly how the logistics system is designed and managed with a clear indication that the output of all logistics activity is customer service. Therefore, it is evident that customer service is best means of gaining and maintaining differentiation in the industry. Through provision of quality services to its customers as per their individual needs, a firm is able not only to gain competitive advantage over other players but also maintain it. Logistics thus plays a key role in increasing customer satisfaction and enhanced customer retention through service to customers well or better than the competition

Customer service can also be defined as the act of taking care of the customer's needs by providing and delivering professional, helpful, high quality service and assistance before, during, and after the customer's requirements are met. It is thus the chain of sales activities and meeting customer requirements, which begins with receiving the orders and ends with the delivery of the products to customers. Through customer service there is improved profitability by focusing on customer needs and creating an attentive relationship with the customer as it involves a personalized and interactive approach for the entire customer lifecycle. (Fletcher & Alan, 2001, p. 540). Firms can provide higher levels of customer service and develop deeper customer relationships by understanding customers better, and as such Customer Relationship Management (CRM) can be used to pin point high value customers, target them more effectively, cross sell the company's product and create offers tailored to specific customer requirement (Kotler et al., 2005). This thus improves customer retention and loyalty – customer stays longer, buys and buys more often, thus increasing their long term value to the business. Through CRM customers also develop a sense of familiarity and even a social relationship with their service providers which make it less likely to switch even if they learn about a competitor that might have better quality service, product or a lower price and in the long run the service provider becomes part of the customer social support system.

Customer service allows cross selling opportunities, leading to low customer expenditure over time. For many institutions, the attraction of building customer relationship is the promise of cross selling; selling additional products and services to existing customer base and that it is generally believed that longer term customers will buy more and if satisfied with the company and the company has what the customer wants, the customer will buy from the same. Additionally, building relationship with customers stops competitors from knowing them. This is due to the belief that retained and satisfied customers may be less susceptible to competitor's appeal and there are indications that a satisfied customer may demonstrate immunity to the pull of competition.

Higher customer-service levels can be achieved by focusing on their key requirements thus creating a higher customer service levels which can be managed through common structured metrics. Additionally, a unified demand plan through cross-functional consensus can result in significantly higher perfect-order fill rates. The focus of supply chains on the customer is most explicitly emphasized by the Quick Response (QR) concept. It consists in recognizing demand and reacting to its changes as quickly as possible. Also the concepts of time based management (TBM) and total quality management (TQM) strongly refer to customer focus. Lead time reduction is becoming one of the most important factors in the competition among companies and quality management systems in companies, which by facilitating the functioning of the supply chain generate numerous benefits for customers (Ciesielski 2006). The supply chain may be considered to be effective if it is able to fulfil changeable and varied customers' requirements. Given the traditional methods of supply chain management it is very difficult, especially as regards quick response to customers' needs.

The purpose of customer service should be customer retention. At the same time, customer service plays an important role in attracting new customers. A new emphasis in marketing and logistics is more and more widespread - creating customer relationships. The idea is that one should seek to create such a level of customer satisfaction, so they do not even see necessary to consider the competitors' offers. Many markets are characterized by promiscuity, with reference to the customer base. In these markets, customers will buy a

brand for an opportunity and then it is likely to buy another one next time. Organizations should thus strive conscientiously to develop relational marketing strategies to maintain and strengthen customer loyalty. The importance of customers has fascinated many researchers and academicians. According to (Zairi, 2000) "Customers are the purpose of what we do and rather than them depending on us, we very much depend on them. That is the main reason why organizations today are focusing on customer satisfaction, loyalty and retention.

2.4. Empirical Review

Empirical research has shown that by effectively responding to near real-time demand signals, based on understanding customer's initial needs, an organisation can guard itself against costly disruptions thereby improving the speed-to-market of products, enhance customer service and reduce inventory. These achievements will not only help organizations leverage their supply chains to competitive advantage, but will move them toward becoming totally customer driven.

A firm is able to gain competitive advantage over other players in the same industry once it's able to differentiate itself to the customer. Hence by large, customer service is the most important means of gaining and maintaining differentiation in the marketplace. Sustainable success can be obtained either from a cost advantage or a value advantage or, ideally, both. Approaching the customers and providing some quality services, based on the individual needs of the customers might contribute to the earning and maintenance of the competitive advantage of the enterprise. Decreasing the costs, finding the factor which keeps the customer loyalty, realizing a new product are some of the ways of differentiation of the enterprise's for its competitors. The logistics can play a key role in increasing customer satisfaction and enhanced customer retention. This thus implies that competitive advantage can be maintained through effective management of the logistics. In order to deliver superior value to customers, firms are looking to their supply chain partners to help them achieve stronger competitive advantage by providing higher quality products, improved services, and efficient distribution systems (Lewin and Johnston 1997). This thus translates that firms that are keen to offer better logistics service can help their customers achieve a competitive advantage that extends beyond substantial product offerings, thereby making it harder for competitors to imitate. Firms helping their customers achieve a competitive advantage are more likely to develop long-term relationships, thus instilling customer loyalty.

2.5. Research Gaps

The literature review shows that there is a little research, which has been done on the impact of logistics policies on customer service in Kenya. For this study, the theories are somewhat limited; they barely breakdown the variables and are more generalized and inconclusive. Numerous logistics literature has highlighted the importance of understanding logistics service from the perspective of the customer (Stank et al. 2003; Mentzer, Flint & Hult 2001). These studies used the service quality literature path to develop measures that capture the perceptions of customers about logistics service elements. However, there is need for additional research in this area, specifically in terms of additional focus on measurement issues. Based on these previous studies, there remains a need in the logistics literature to understand the side of logistics service that deals with customer satisfaction and loyalty since they represent key logistics concepts that need further development and testing.

2.6. Summary

This literature review appears to reinforce the crucial roles of various logistics policies on the direct impact on the performance of an organisation during delivery of service to its customers. Proper management of the logistics function has a net effect of creating a reduction of the cost of the goods and services to the customers. Additionally, logistics plays a key role in the delivery of goods to the customers with any delay on its part having a direct impact in the satisfaction of the customer. There is thus a direct relation between the performances of the logistics function and the retention and even attraction of new customers to an organisation

3. Research Methodology

3.1. Introduction

This chapter describes the research methodology and sampling design that was used in this study. It discusses the research design with respect to the choice of the design. It also discusses the target population of study, sample and sampling techniques and data collection methods employed in the study.

3.2. Research Design

A research design refers to the overall strategy that one chooses to integrate the different components of the study in a coherent and logical way, thereby, ensuring that the research problem is addressed. It constitutes the blueprint for the collection, measurement and analysis of data. Research design is a plan for collecting and utilizing data so that desired information can be obtained with sufficient precision or so that a hypothesis can be tested properly (Mugenda & Mugenda, 2003). The function of a research design is to ensure that the evidence obtained enables you to effectively address the research problem logically and as unambiguously as possible. This study used a descriptive research design which involved collecting data so as to answer questions concerning the effects of logistics policies on customer service performance of tea companies in Mombasa. According to (Cooper and Schindler, 2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enables the researcher to generalise the findings to a larger population.

3.3. Target Population

(Thomas, Nelson, and Silverman, 2010), a population refers to a universal set of all elements in which the characteristics under consideration are present. Population refers to an entire group of individuals, events or objects having a common observable characteristic. In other words, a population is a group of individuals, events or objects to which researchers wish to generate the results of the study, (Gall and Borg 2002). For this study, the target population comprises of shipping managers of different tea companies based in Mombasa. This is due to their virtue of being implementers of the logistics function policies in their respective company.

3.4. Sampling Frame

Sampling frame is a list of all the items from where a representative sample is drawn for the purpose of a study (Nachmias and Nachmias, 2008). In this study, it was a list of all shipping managers in the various tea companies based in Mombasa. This group are the implementers of the logistics strategy of the company on a day to day basis. Since the number of staff to be interviewed is not quite huge, all the 57 respondents were utilised in the study. (Orodho, 2003) states that stratified sampling is applicable if a population from which a sample is to be drawn does not a homogenous group.

Characteristics of population	Target population	Sample size population (100% of target Population)	Percentage of Sample size
Shipping Managers	57	57	100%
Total	57	57	100%

Table 1: Sampling frame

3.5. Sampling and Sampling Technique

Sampling is a procedure a researcher uses to select a part of the population on which the research can be conducted. In this study, the questionnaires were used to collect data from the field and Stratified Random Sampling was to be used for analysis when the population of interest is not homogenous (Kothari, 2000). Stratified random sampling technique is a two-step process. First the target population is partitioned into strata's and then elements are selected from each stratum by simple random sampling. The respondents will be chosen randomly within the different strata so that all such subsets of the frame are given an equal probability. Stratified random sampling is a method of sampling that involves the division of a population into smaller groups known as strata. The strata were formed based on members' shared attributes or characteristics. A random sample from each stratum will be taken in a number proportional to the stratum's size when compared to the population. These subsets of the strata will be pooled to form a random sample.

3.6. Data Collection Instruments

According to (Creswell, 2002) data collection is a means of collecting information from the selected units of a study. Data collection tools are methods or techniques used by a researcher to gather information pertaining to the study aimed at proving or refuting some facts. Primary data was collected using questionnaires. This is because questionnaires responses are gathered in a standardized way and are more objective. They are also less time consuming and are possible to gather information from a wide audience.

Data was also collected from secondary sources. (Mugenda and Mugenda, 2003) describe secondary data as information that has previously been collected, utilized by a person other than the one who collected the data. It can be obtained from books, journals and electronic materials.

3.6.1. Questionnaires

A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. Questionnaires have advantages over some other types of surveys in that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have standardized answers that make it simple to compile data. This method was used to collect data. The questionnaire had a combination of closed and open ended questions. Quantitative data generated from the close ended questions in the questionnaire was coded and entered into the computer for computation of descriptive statistics. The open-ended questions were used to permit the respondents to give detailed answers, most of them being actual figures.

3.7. Pilot Testing

This activity is necessary for the study because it enables the researcher to enhance the validity of the questionnaires received. According to (Daft, 2002), validity indicates the degree to which an instrument measures what it is supposed to measure. Thus to determine the validity of the questionnaires and objectives, piloting of the study was done. Piloting also helps to determine the usefulness and feasibility in terms of clarity of terminology and applicability of the content and hence provide an easy coding of data that will be collected for analysis. A total of 12 respondents were randomly chosen for pilot testing. These respondents bear the same characteristics as the study's sample. The results from piloting assisted in restructuring the questions in the questionnaire that were not clear to the respondents.

3.7.1. Data Validity

Validity is the extent to which the findings are real, that is the success of the measurement scale in measuring what was set out to be measured (Mbugua, 2010). In validating the questionnaire, a pilot test was conducted. A sample was selected from the strata and served with the questionnaires to fill. This enabled the researcher to refine the questionnaire to eliminate problems to the respondents while answering the questions and during data recording. Validity involves how accurately the data obtained represents the variables of the study

3.7.2. Data Reliability

Reliability refers to the degree to which a research instrument yields consistent results or data after repeated trials to establish its reliability (Saunders, et.al. 2003). To ensure reliability, the questionnaires were pre-tested on a pilot scale through selected respondents outside the study area. The objectives of pre-testing allowed for modification of various questions in order to rephrase, clarify and or clear up any shortcomings in the questionnaires before administering them to the actual respondents.

3.8. Data Processing and Analysis

Data analysis involves systematically applying statistical and logical techniques to describe, condense and evaluate data. Various analytic procedures provide a way of drawing inductive inferences from data and distinguishing the signal, the phenomenon of interest and statistical fluctuations present in the data (Shamoo and Resnik, 2003).

The collected data was categorized purposefully, edited and coded. After coding, the data was analyzed using Ms Excel and Statistical Package for Social Sciences (SPSS) 20.0 to help organize and summarize data by the use of descriptive statistics. An analytical model was then used together with percentages and coefficients calculated to support or conflict the study tests.

3.8.1. Multiple Regression Analysis

Multiple regression analysis was used to establish the relationship between the dependent and the independent variables. Performance of customer service of tea companies in Mombasa was regressed against three independent variables i.e. outsourcing, supplier relationship management and inventory management.

The research model was derived from the theoretical framework of theory of successful performance of the customer service. This hypothesized there is a direct and positive association between three independent variables - outsourcing, supplier relationship management and inventory management. – and successful performance of the customer service. The relationship among the variables is depicted below.

The equation for successful performance of the customer service will be expressed in the following equation:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon, \text{ where,}$$

Y= Success performance of the customer service

β_0 = constant (coefficient of intercept),

X1= Outsourcing

X2= Supplier relationship Management

X3= Inventory Management

ε = error term

β_1, \dots, β_3 = regression coefficient of three variables.

The chi square will be used to measure association between Outsourcing, Supplier relationship management and Inventory management and the successful performance of the customer service in tea companies in Mombasa

4. Results and Discussion

4.1. Introduction

This chapter presents the research findings derived from analysis of the collected data. The main objective of this study was to find out the effect of logistics policies on customer service performance of tea companies in Mombasa. The data was gathered exclusively from the questionnaire as the research instrument. This chapter, thus, provides analysis, presentation, interpretation and discussion of the findings from the data collected for the research study.

4.2. Response rate

A total of 57 questionnaires were administered. Out of these, 38 respondents filled in and returned questionnaires giving a response rate of 66.67%.

Population	Frequency	Percentage
57	38	66.67%

Table 2: Response rate

This response rate was considered credible enough to allow for generalization of the findings to the target population besides the arriving at the conclusions of the study, as this response rate was sufficient and representative and conforms to Mugenda and Mugenda

(2003) with a stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.3. Reliability and Validity analysis

4.3.1. Reliability Analysis

Reliability is the extent to which a research instrument yields findings that are consistent each time it is administered to same subjects (Mugenda and Mugenda, 2003). Cronbach alpha is the basic formula for determining the reliability based on internal consistency (Kim & Cha, 2002). The standard minimum value of alpha of 0.7 is recommended Nunnally (1978) and Malhotra (2004) as the minimum level for item loadings. Constructs used in the study were tested for internal consistency and a value of 0.78 was achieved as shown in Table 3. This implied the instrument was valid as emphasized by Malhotra (2004).

Variable	Number of valid items	Cronbach's alpha
Outsourcing	7	0.83333
Supplier Relationship Management	8	0.67667
Inventory Management	9	0.83333
Overall	24	0.78111

Table 3: Reliability Analysis

4.3.2. Validity Analysis

Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable (Joppe, 2000). Several data collection methods enable the researcher to avoid the deficiency that arises from using only one instrument for data collection (Burns, 2000). The content validity was achieved by subjecting the data collection instruments to an evaluation group of four logistics experts who provided their comments and relevance of each item of the instruments. The content validity formula by Amin (2005) was used to in line with other previous studies (Cull, Deigur-kunt&Morduch, 2007) The formula is; Content Validity Index = (No. of judges declaring item valid) / (Total no. of items). It is recommended that instruments used in research should have CVI of about 0.78 or higher and three or more experts could be considered evidence of good content validity (Amin, 2005). The results were as shown in Table 4;

Rater	Variable	Total items	Valid items	Fraction
1	Outsourcing	16	12	0.7500
2	Supplier Relationship Management	15	13	0.8667
3	Inventory Management	13	11	0.8462
Average				0.8210

Table 4: Content Validity Index

From the results in Table 3, the validity of test yielded an average index score of 82%. This implied the instrument was valid as emphasized by (Amin, 2005)

4.4. General Information of the Respondents

4.4.1. Gender of Respondents

The research went further to establish the gender of the respondents from the identified area of study. This information is shown in the Table 5;

Gender	Frequency	Percentage
Female	14	36.84
Male	24	63.16
Total	38	100

Table 5: Gender of Respondents

It was found out that 36.84% of the respondents were female and 63.16% were male. This implies that majority of respondents were male who were involved in the implementation of the logistics policies in the company. This implies that more male was involved in the execution of the logistics policies in the tea industry and this clearly shows that the industry is male dominated

4.4.2. Distribution of Respondents' age

The study proceeded further to establish the distribution of the respondents' age. This information is shown in the Table 6;

Age	Frequency	Percentage
Under 25 years	6	15.79
25 to 35 years	13	34.21
36 to 45 years	11	28.95
Above 45 years	8	21.05
Total	38	100

Table 6: Age of the respondents

From the findings in Table 6, the highest percentage of the respondents 34.21% was 25 to 35 years of age, 15.79% for under 25 years, 28.95% for 36 to 45 years and 21.05% for above 45 years. The high percentage of respondents aged between 25 to 45 years may be explained by older people are more likely to participate and get involved in the implementation of the logistics policies than young people. Therefore, this finding may also be significant for enhancing implementation of the logistics policies as desired as established in the study.

The findings of the study are in line with APM (2005) who indicated that for improving performance, there is need to involve middle aged people majority are energetic, experienced and educated looking forward to governance. This also enables provision of timely, relevant and reliable information for successful implementation of strategy to the other stakeholders and the decision makers.

4.4.3. Highest Education Level of Respondents

The study further established the levels of education of the different respondents. This information is presented in the Table 7

Level of Education	Frequency	Percentage
Diploma	6	15.79
Higher Diploma	11	28.95
Degree	16	42.10
Masters	5	13.16
Total	38	100

Table 7: Highest Education level of Respondents

From the table above, of the 38 respondents, 13% had Master's Degree as their highest education level, 42% had degrees as their highest education level, 28% had higher diplomas as their highest education level, 15% had diplomas as their highest education level and none had other qualification levels. This meant that 55% of the respondents had degrees or higher levels of education which is vital for proper decision making and also process re-engineering.

4.4.4. Respondents' Length of Service in the Sector

The research went further to find out on the length of service of the respondents in the sector under study. This information is shown in Table 8;

Years	Frequency	Percentage
Less than 1 year	10	26.32
Between 1 and 5 years	15	39.47
Between 5 to 10 years	8	21.05
Above 10 years	5	13.16
Total	38	100

Table 8: Length of service in the sector

From the findings in Table 6, most of the respondents (39.47%) had worked for 1 - 5 years, 26.32% for less than a year, 21.05% for 5 to 10 years and 13.16% for above 10 years. This experience of the respondents implies that the respondents had worked for a relatively long period to give credible information about the logistics policies in the study area. The experience also means that they have adequate knowledge in the study subject.

4.5. Study Variables

4.5.1. Outsourcing

The first objective of the study was to establish the effect of outsourcing on customer service performance in tea companies in Mombasa.

4.5.1.1. Outsourcing Influence on Customer Service Performance

The research sought to establish whether outsourcing influence customer service performance in tea companies in Mombasa. The findings were as shown in Table 9;

	Frequency	Percentage
Yes	24	63.16
No	14	36.84
Total	38	100

Table 9: Outsourcing Influence on customer service performance

From the study findings in Table 9 the majority (63.16%) of the respondents agreed that outsourcing influence customer service performance in the companies while 36.84% posted that outsourcing does not influence customer service performance in the companies. This depicts that outsourcing has an influence on customer service performance in the study area. These findings collaborate the views of Rushton et al. (2006) who asserted that in a typical supply chain, several different organizations are involved in getting a product to the market place providing the basis for outsourcing. He further added that a client company together with the third party organization act together in a partnership to help create a logistics pipeline that enables an effective and efficient flow of the right product through to the final customer.

4.5.1.2. Extent of Outsourcing on Customer Service Performance

The respondents were further asked to identify the extent that outsourcing influences customer service performance in the study area. The information is as shown in Table 10;

Extent	Respondents	
	Frequency	Percentage
Very great extent	10	26.32
Great extent	15	39.47
Moderate extent	8	21.05
Low extent	5	13.16
Very low extent	-	-
Total	38	100

Table 10: Extent of outsourcing on customer service performance

From the results of the study in Table 10, the majority of the respondents (39.47%) stated that outsourcing affected customer service performance to a very great extent, another 26.32% and 21.05% of respondents respectively indicated that the performance of customer service was affected to a great extent and moderate extent while 13.16% of the respondents posited to a low extent. It is clear that outsourcing is increasingly becoming an important part of strategic decision making with forcing many organizations to adopt it to seek the value that can be captured through its effective execution.

4.5.1.3. Effect of Outsourcing on Customer Service Performance

The study sought to establish the influence of outsourcing on customer service performance in tea companies in Mombasa. The respondents were requested to indicate their level of agreement on several statements to with respect to the in-house execution of tasks and processes in the various companies. The responses were rated on a five point Likert scale where: 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4- Agree and 5- Strongly Agree. The mean was generated from SPSS and is as illustrated in Table 11;

Statements	Mean
There is need to outsource some logistics functions in order to gain some competitive advantage	4.65
Compared to the in-house execution of tasks, outsourcing is more beneficial.	4.25
Outsourcing will enable the company to obtain skilled labour at a lower cost	4.06
Outsourcing has a positive impact on organisational performance	4.01

Table 11: Influence of outsourcing on performance of customer service

From the findings in Table 11, the majority of the respondents agreed that there is need to outsource some logistics functions in order to gain some competitive advantage (M=4.65); Compared to the in-house execution of tasks, outsourcing is more beneficial. (M=4.25); Outsourcing will enable the company to obtain skilled labour at a lower cost (M=4.06); Outsourcing has a positive impact on organisational performance (M=4.01). This implies that outsourcing of some processes in the companies has a positive net effect in the performance of the logistics function in the various companies and has an end result of improving customer service performance in the study area. This finding agrees with most of literature such as M. Koszewska (2004), who observed that outsourcing opens new avenues and therefore may become a successful competitive advantage tool and a way of strengthening the firm's position in the market. The successes of firms that have introduced the philosophy of outsourcing into their business strategies allow us to hypothesize that its expansion in the industry at large will churn out more benefits to the companies. Additionally, according to Lysons and Farrington (2003), outsourcing is a possible solution to increasing costs and is compatible with the cost leadership strategy. This is achieved through controlling and decreasing costs enabling an organization increase its competitive position. This has been very well articulated and reaffirmed by the research findings.

4.5.2. Inventory Management

The second objective of the study was to assess how inventory management affects successful customer service performance in tea companies in Mombasa

4.5.2.1. Extent of Inventory Management on Performance of Customer Service

The respondents were asked to identify the extent that inventory management affected successful performance of customer service in the study area. The information is as shown in Table 12;

Extent	Respondents	
	Frequency	Percentage
Very great extent	11	28.95
Great extent	14	36.84
Moderate extent	6	15.79
Low extent	5	13.16
Very low extent	2	5.26
Total	38	100

Table 12: Extent of inventory management on performance of customer service

From the results of the study in Table 12, the majority of the respondents (36.84%) stated that inventory management affected to very great extent successful performance of customer service, another 28.95% to great extent, 36.84% great moderate extent, 15.79% low extent and 5.26% to a very low extent. This implies that inventory management did affect the successful performance of customer service in tea companies to a great extent.

4.5.2.2. Effect of Inventory Management on Performance of Customer Service

The study sought to establish the effect of inventory management on successful performance of customer service in tea companies in Mombasa. The respondents were requested to indicate their level of agreement on the influence of inventory management on customer service performance. The responses were rated on a five point Likert scale where 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4- Agree and 5- Strongly Agree. The mean was generated from SPSS and is as illustrated in Table 12;

Statements	Mean
There is need to improve inventory management process	4.67
Proper inventory management will lead to increased sales	4.09
Proper inventory management will lead to improved forecasting	4.44
Proper inventory management will lead to improved customer satisfaction	4.65

Table 13: Effect of inventory management on customer service performance

From the findings in Table 13, it is evident that there is need to improve inventory management process (M=4.67); additionally, most respondents agreed that proper inventory management will lead to increased sales (M=4.09); Proper inventory management will lead to improved forecasting (M=4.44); and an even greater number believed that Proper inventory management will lead to improved customer satisfaction. This implies proper inventory management has an effect on the performance of the customer service.

4.5.3. Supplier Relationship Management

The third objective of the study was to explore the effect of supplier relationship management in customer service performance in tea companies in Mombasa.

4.5.3.1. Supplier Relationship Management Influence on Customer Service Performance

The research sought to establish whether supplier relationship management influence customer service performance in tea companies in Mombasa. The findings were as shown in Table 14;

	Frequency	Percentage
Yes	28	73.68
No	10	26.32
Total	38	100

Table 14: Outsourcing Influence on customer service performance

From the study findings in Table 14 the majority (73.68%) of the respondents agreed that supplier relationship management influence customer service performance while 26.32% posted that supplier relationship management does not influence customer service performance. This depicts that supplier relationship management has an influence on customer service performance in the study area. These findings are in agreement with a number of publications (e.g., Moore et al., 2002) who found out that SRM leads to benefits to

the company by continually working with suppliers to identify and take costs out of the end-to-end supply chain and improve quality and other aspects of performance.

4.5.3.2. Extent of Supplier Relationship Management on Customer Service Performance

The respondents were further asked to identify the extent that outsourcing influences customer service performance in the study area. The information is as shown in Table 15;

Extent	Respondents	
	Frequency	Percentage
Very great extent	19	50.00
Great extent	14	36.85
Moderate extent	3	7.89
Low extent	1	2.63
Very low extent	1	2.63
Total	38	100

Table 15: Extent of Supplier Relationship Management on customer service performance

From the results of the study in Table 15, the majority of the respondents (50%) stated that Supplier Relationship Management support affected to a very great extent successful performance of customer service, another 36.85% great extent, 7.89% moderate extent, 2.63% for both low extent and a very low extent. This implies that supplier relationship management affects the successful performance of customer service in the tea companies to a very great extent. It is evident that SRM delivers big opportunities. Successful SRM yields a faster time to market, transactional efficiency, competitiveness, risk management, and large financial gains - all of which not only contribute to the company's bottom line, but also allows delivery of a quality and cutting edge product, putting you ahead of the market.

4.5.3.3. Effect of Supplier Relationship Management on Customer Service Performance

The study sought to establish the effect of supplier relationship management on customer service performance in the tea companies in Mombasa. The respondents were asked to rate of their agreement on the influence of supplier relationship management on customer service performance. The responses were rated on a five point Likert scale where 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4- Agree and 5- Strongly Agree. The mean was generated from SPSS version 20 and is as illustrated in Table 16;

Statements	Mean
Supplier relationship management will lead to better quality and quantity of information	4.55
Supplier relationship management will lead to operational efficiency	4.67
Innovative information from the suppliers can be gained and used to facilitate competitive advantage	4.89
Good supplier relationship management affects the effectiveness of the supply chain	4.65

Table 16: Effect of supplier relationship management on customer service performance

From the findings in Table 16, the majority of the respondents were in agreement that Innovative information from the suppliers can be gained and used to facilitate competitive advantage (M=4.89); Supplier relationship management will lead to operational efficiency (M=4.67); Good supplier relationship management affects the effectiveness of the supply chain (M=4.65); Supplier relationship management will lead to better quality and quantity of information (M=4.55). The findings are in line with Cusumano and Takeishi (2001) who argued that supplier relationship management is one of the most important parts of supply chain management. In fact, effective supplier relationship management and improving qualitative and quantitative levels of suppliers could be a competitive advantage of every company. Additionally, SRM enables full and unparalleled visibility into the supplier base, giving one a detailed picture of what is impacting the supply chain and making it easy to mitigate the risk. This has been confirmed by the research findings.

4.5.4. Customer Service Performance

Lastly, the study sought to investigate the influence of customer service performance in tea companies in Mombasa

4.5.4.1. Customer Service Performance in Tea Companies in Mombasa

The respondents were asked to rate the performance of customer service in tea companies in Mombasa. The results are as shown in Table 17;

Extent	Respondents	
	Frequency	Percentage
Excellent	2	5.26
Good	12	31.58
Moderate	16	42.11
Bad	5	13.16
Poor	3	7.89
Total	38	100

Table 17: Customer service performance

From the results of the study in Table 17, the majority of the respondents (42.11%) stated that the performance of the customer service was moderate; another 32.58% felt that the performance was good. 13.16% rated the performance to be bad, 7.89% rated it to be poor while 5.26% rated the performance to be excellent. This implies that as it stands, a total of 63.16% felt that the customer service performance was below moderate and thus there is need to reverse the trend. The findings were found to be in agreement with the project statement and thus there was need to come up with strategies to better the results.

4.5.4.2. Influence of Customer Service

The study sought to establish the influence of customer service in the tea companies in Mombasa. The respondents were requested to indicate their level of agreement on the extent to which the following statements and responses were rated on a five point Likert scale where: 1 – Strongly disagree; 2 – Disagree; 3 – Neutral; 4- Agree and 5- Strongly agree. The mean was generated from SPSS version 20 and is as illustrated in Table 18;

Statements	Mean
Customer service leads to customer retention	4.87
Customer service leads to attraction of new customers	4.67
Customer service leads to improved profitability	4.11
Customer service enables gaining of sustainable competitive advantage	4.66

Table 18: Influence of customer service

From the results in Table 18; it is evident that most respondents strongly agree that customer service will lead to customer retention (M=4.87); An even greater number believes that customer service will lead to attraction of new customers(M=4.67); additionally most respondents are in agreement that customer service enables gaining of sustainable competitive advantage (M=4.66); and also many respondents agree Customer service leads to improved profitability (M=4.11); this implies that customer service has great advantages to the company in terms of its financial performance and also service delivery in the study area. The study is agreement with prior studies that show the role of customer service is a critical success factor for most companies. This is mainly because there is growing realization that satisfying the customer is key to achieving competitive advantage. Companies that fail to appreciate this do so at their own peril because they may lose significant market share. The level of customer service is a key factor of differentiation in a customer's decision to buy one brand rather than another (Rushton et al., 2006). Going hand in hand with customer service is building relationship. It is important for firms to build the relationship with customers by personalizing their interactions. Doing so gives customers a feeling of goodwill and a sense that the firm cares more than just making the next sale (Etzel et al., 2007).

4.6. Multiple Regression Analysis

Multiple regression analysis was used to determine influence of independent variables affected the dependent variable. The researcher applied SPSS version 20 to code, enter and compute the measurements of the multiple regressions for the study. The results are shown in Table 19;

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888 ^a	.789	.663	.37024

Table 19: Model Summary

a. Predictors: (Constant), outsourcing, inventory management, supplier relationship management

The independent variables (outsourcing, inventory management, supplier relationship management) used to predict the value of the dependent variable (Customer service performance in tea companies in Mombasa). According to the Model Summary Table 19, A value of 0.888, in this result, indicates a good level of prediction. The "R Square" column represents the R² value (0.789) that is the coefficient of determination, which is the proportion of variance in the dependent variable that can be explained by the independent variables (technically, it is the proportion of variation accounted for by the regression model above and beyond the mean model). This means 78.9% of the variability of the dependent variable (Customer service performance in tea companies in Mombasa). This means that the other factors not studied in this research contribute 21.1% of the determinants. Therefore, further research should be conducted to investigate the other logistics policies and factors (21.1%) that affect customer service performance in tea companies in Mombasa.

4.6.1. Analysis of variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	69.4567	4	17.3642	16.1467	.0000 ^b
	Residual	131.9604	33	1.0754		
	Total	201.4171	37			
a. Dependent Variable: Customer service performance in tea companies in Mombasa.						
b. Predictors: (Constant), outsourcing, inventory management, supplier relationship management						

Table 20: Analysis of Variance^a

The F-Ratio in the ANOVA Table 20 was used to test whether the overall regression model was a good fit for the data. The reports summary ANOVA and F statistic (16.1467) is significant at 0.05 confidence level. The value of F is large enough to conclude that the set of independent variables; outsourcing, inventory management, supplier relationship management have an effect on customer service performance in tea companies in Mombasa. The table shows that the independent variables statistically significantly predict the dependent variable, $F(4,33) = 16.1467, p < .0005$

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	74.778	2.483		2.729	.002
	Outsourcing	.796	.387	.202	.635	.000
	Inventory Management	.793	.236	.123	.376	.001
	Supplier Relationship Management	.659	.285	.017	2.311	.003
a. Dependent Variable: Customer service performance in tea companies in Mombasa						

Table 21: Coefficients^a

The general form of the equation to predict successful performance of the customer service in tea companies in Mombasa from outsourcing, inventory management, supplier relationship management is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad \text{Where}$$

Y = successful performance of the customer service in tea companies in Mombasa; β_0 = Constant Term; β_1 , β_2 , and β_3 = Beta coefficients; X_1 = Outsourcing; X_2 = Inventory Management; X_3 = Supplier relationship management; and ε = Error term. The model equation would be;

$$Y = 74.778 + 0.796X_1 + 0.793X_2 + 0.659X_3$$

Predicted successful performance of customer service in tea companies in Mombasa = $74.778 + (0.796 \times \text{Outsourcing}) + (0.793 \times \text{Inventory management}) + (0.659 \times \text{supplier relationship management})$. This is obtained from the Coefficients table, as shown in Table 21, from above regression equation; the study found out that when all independent variables (outsourcing, inventory management and supplier relationship management) are kept constant at zero the performance of customer service in tea companies in Mombasa. At one percent change in outsourcing will lead to (0.796%) variations in the customer service performance in tea companies in Mombasa. Also a one percent change in inventory management will lead to (0.793%) variations in customer service performance in tea companies in Mombasa. Further, a one percent change in supplier relationship management will lead to (0.659%) variations in the customer service performance in tea companies in Mombasa.

To test for the statistical significance of each of the independent variables, it was necessary to test whether the unstandardized (or standardized) coefficients are equal to 0 (zero) in the population. If $p < .05$, we can conclude that the coefficients are statistically significantly different to 0 (zero). In general, the multiple regression predicted successful performance of the customer service in tea companies in Mombasa that independent variables statistically significantly predicted successful implementation of performance of the customer service in tea companies in Mombasa $F(4,33) = 16.1467, p < .0005, R^2 = .789$ and all three independent variables added statistically significantly to the prediction $p < .05$.

At 5% level of significance and 95% level of confidence, outsourcing had a 0.000 level of significance; inventory management showed a 0.001 level of significance, supplier relationship management showed a 0.003; hence the most significant factor is outsourcing.

5. Summary, Conclusions and Recommendations

5.1. Introduction

This chapter presents a summary of the findings, conclusions and recommendations arising from the research. It also gives suggestions for areas of further research arising from the gaps identified. The study sought to answer the three questions relating to how each independent variable influenced the dependent variable that is customer service performance in tea companies in Mombasa

5.2. Summary

The aim of this study was to establish the effect of logistics policies on customer service performance in tea companies in Mombasa. The study had a relevant response rate of 66.67% from the target size of 57 shipping managers working in the target study area. The regression and correlation analysis were generated by the SPSS version 20 statistic derivatives. This was to depict the correlation and regression outcomes between the variables that affect the performance of the customer service.

5.2.1. Effect of Outsourcing on Customer Service Performance

The study found out that outsourcing had a direct effect on performance of the customer service in tea companies in Mombasa. It was also the most significant factor at 5% level of significance. The study also established that according to the respondents, there was need to outsource some logistics functions in order to gain competitive advantage against other players in the industry. The respondents were also in agreement that compared to the in-house execution of tasks and processes, outsourcing was more beneficial, and also agreed that outsourcing will enable the company to obtain skilled labour at a lower cost. The respondents also agreed that outsourcing has a positive impact on organisational performance. The findings collate with literature review by Corbett (2004), who indicated that outsourcing is a management tool which is used to move an organization away from the traditional vertically integrated, self-sufficient structure; one that is increasingly ineffective in today's hyper-competitive, performance-driven environment. Through outsourcing, the organization moves toward a business structure where it is able to make more focused investments in the areas that provide its unique competitive advantage.

Additionally, the finding is in agreement with the review of (van Laarhoven et al., 2000; Jennings, 2002; Hannon, 2003), who indicated that outsourcing logistics activities can reduce the cost of operations, inventory handling, transport, order cycle time and so forth. The logistics providers can save cost for the outsourcing company because they have sufficient and modern facilities and they gain the economies of scale by operating logistics functions for many companies

5.2.2. Effect of Inventory Management on Customer Service Performance

From the study it was revealed that inventory management has a direct effect on customer service performance in the study area. The study found out that inventory management affected customer service performance to a great extent. The study also established that according to the respondents they agreed that there is need to improve the inventory management process in the study area. The variable was the second most statistically significant at the 0.05 level of significance and influence was of great strength on customer service performance in the study area. Additionally, the respondents were in agreement that proper inventory management will lead to increased sales, improved forecasting and improved customer satisfaction.

5.2.3. Effect of Supplier Relationship Management on Customer Service Performance

The study revealed that majority of respondents stated that supplier relationship management influenced customer service performance to a great extent in the study area. The respondents agreed that SRM will lead to better quality and quantity of information that will turn to be beneficial in its performance of its logistical function. The respondents were also in agreement that SRM will lead to operational efficiency and that it affects the effectiveness of the supply chain. Additionally, the respondents were also in agreement that through SRM innovative information from the suppliers can be gained and these could be used to facilitate competitive advantage in the study area. According to regression analysis the project governance was the third most significant and showed there was a significant positive relationship as it was statistically significant at the 0.05 level of significance. The findings corroborate with literature review by Ondieki, (2015), who indicated that Supplier relationship activities play important role where players willingly share risks and rewards and maintain relationship on long term basis.

5.2.4. Customer Service Performance

The study revealed that majority of respondents (63.16%) felt that the customer service performance was below moderate and thus there is need to reverse the trend. Also from the findings, respondents agreed to a very great extent that very good customer service performance has more benefits to the company. This was due to the fact that they were in agreement that customer service leads to customer retention, attraction of new customers, improved profitability and enables the company to gain sustainable competitive advantages. The findings corroborate with the findings of Hoyer and MacInnis (2001) who posited that customer retention is "the practice of working to satisfy customers with the intention of developing long-term relationships with them". Additionally, the study also agrees that in order to achieve customer satisfaction, organizations must be able to satisfy their customers' needs and wants. This corroborates with the findings of La Barbera and Mazursky (1983).

5.3. Conclusions

The key conclusion of this study is that logistics plays a strategic role in an organization when customer value is created through customer accommodation, value co-creation and customer integration. Superior logistics services generate customer value through achieving efficiency, effectiveness and differentiation which can lead to competitive advantage for the organization. The study concludes that outsourcing of some functions, proper inventory management and good supplier relationship management will positively affect the customer service performance in the tea companies in Mombasa. Outsourcing plays a critical role as it was the most significant factor followed by inventory management. Supplier relationship management equally played a significant role in influencing customer service performance. The study also concludes that 78.9% of the outsourcing, inventory management and supplier relationship management affect the performance of the customer service from a logistical perspective in the study area. This

means that the other factors not studied in this research contribute 21.1% of the other determinants. Therefore, the researcher concludes to say that there is need for further research to be conducted to investigate the other factors (21.1%) that could affect the successful performance of customer service in the tea companies in Mombasa.

5.4. Recommendations

The study recommends that companies should seek to develop a product or service along some dimensions that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. In addition, out sourcing of noncore duties should be encouraged to enable the company focus on those activities that they can perform best. To be successful in outsourcing logistics, the company should learn and consider how to select a logistics provider carefully. Next step is working together. Both sides need support from top management and have to share information, risk and rewards, mutually trust, always update vision and goals, evaluate their performance regularly, and so forth.

Additionally, the study recommends for better management of inventory since they strongly influence the performance of the customer service. It is evident that both under stocking and over stocking has a negative effect on the company and as thus companies should invest in proper forecasting modes.

Further the study recommends for effective performance of customer service, companies should involve their suppliers to be part of their team. The cooperation with the suppliers has proved to be vital since through them various innovations can be effected that allows a company gain competitive edge over the competition. Organizations should thus strive to create a data base on supplier activities such as delivery schedules, complaints, quality management processes. Additionally, the procurement managers should increase the level of interaction with suppliers. These interactions should involve efficiently providing suppliers with expectations of how the communications and flow of products/services are to be provided.

5.5. Suggestions for Further Research

Since this study was on the effects of logistics policies on customer service performance in tea companies in Mombasa; the study recommends that;

- i. Since the study was done to establish the effects of logistics policies in the performance of customer service in the tea companies in Mombasa, further studies should be conducted to investigate the determinants of successful performance of customer service
- ii. Similar and other studies should be conducted in other areas of the industry for comparison purposes and to allow for generalization of findings on successful performance of customer service.
- iii. Further study on other factors affecting performance of customer service in the industry at large

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7. Dedication

This proposal is dedicated to the spirit of my late dad Frank Richard Ogeya and my loving mother Pacific Akoth Meso for their continued moral and financial support throughout my study.

8. List of Acronyms and Abbreviations

➤ CRM	-	CUSTOMER RELATIONSHIP MANAGEMENT
➤ EATTA	-	EAST AFRICA TEA TRADE ASSOCIATION
➤ JIT	-	JUST IN TIME
➤ KTDA	-	KENYA TEA DEVELOPMENT AGENCY HOLDINGS LIMITED
➤ LSP	-	LOGISTICS SERVICE PROVIDER
➤ RBV	-	RESOURCE BASED VIEW
➤ SCM	-	SUPPLY CHAIN MANAGEMENT
➤ SRM	-	SUPPLIER RELATIONSHIP MANAGEMENT
➤ TBM	-	TIME BASED MANAGEMENT
➤ TQM	-	TOTAL QUALITY MANAGEMENT
➤ VMI	-	VENDOR MANAGED INVENTORY
➤ QR	-	QUICK RESPONSE

9. Definition of Terms

- Competitive Advantage: This is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies higher prices
- Logistics: This is the part of the supply chain process that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers' requirements. (Council of Logistics Management, 1991)
- Strategy: This is a plan of action designed to achieve a specific goal or series of goals within an organizational framework (Boundless, 2014)
- Suppliers: These are the persons that enter into procurement contract with a procuring entity (Lysons, 2006).
- Supply chain: This is a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from source to customer. (Mentzer et al., 2001, p. 4)
- Supply chain management: This is the management of upstream and downstream relationships with suppliers and customers to deliver superior customer value at less cost to the supply chain as a whole (Christopher 2000).
- Outsourcing: This is a management tool which is used to move an organization away from the traditional vertically integrated, self-sufficient structure; one that is increasingly ineffective in today's hyper-competitive, performance-driven environment. Through outsourcing, the organization moves toward a business structure where it is able to make more focused investments in the areas that provide its unique competitive advantage. (Corbett, 2004)

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APPENDIXES
Appendix I: Introductory Letter

Boniface Otieno Ogeya,
Jomo Kenyatta University of Agriculture and Technology
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REQUEST FOR PARTICIPATION IN A RESEARCH STUDY

I am a final year postgraduate student pursuing Masters of Science in Procurement and Logistics at Jomo Kenyatta University of agriculture and Technology. I am currently undertaking a research in the area of logistics. The topic is; **“EFFECTS OF LOGISTICS POLICIES ON CUSTOMER SERVICE PERFORMANCE OF TEA COMPANIES IN MOMBASA”**

You have been selected to participate in this study and I would highly appreciate if you assisted me by responding to all questions as completely, correctly and honestly as possible. Your response will be strictly confidential and at no time will your name be referred to directly. The information given will only be used for research purpose.

Thank you in advance for your time and cooperation

Yours Sincerely,
Boniface Ogeya

Appendix II: Questionnaire

This questionnaire aims to collect data for purely academic purpose. The study seeks to investigate the effect of logistics policies on customer service performance. All information will be treated with strict confidence. Do not put any identification on this questionnaire.

Answer all questions as indicated by either filling in the blank or ticking the option that applies.

A: GENERAL INFORMATION

- 1. Gender**
Male Female
- 2. Please indicate your age bracket**
Below 25 years Between 25 and 35 years
Between 35 and 45 years Above 45 years
- 3. Level of education**
Certificate Diploma
Degree Masters
Other Qualification.....
- 4. For how long have you been working in the tea industry?**
Less than 1 year Between 1 and 5 years
Between 5 and 10 years Above 10 years

Section B: Specific Information

- The effect of outsourcing on customer service
- 5. Does outsourcing of logistics services influence the successful performance of customer service**
Yes No
- 6. If yes, to what extent?**
Very Great extent Great extent
Moderate extent Low extent
No extent at all

Kindly rate the extent to which you agree on the following statements in a scale of 1-5 where 1-strongly agree, 2- agree, 3- Not sure, 4- disagree, 5- strongly disagree. To what extent do you agree with the following statements to the influence of in-house execution of tasks and processes?

Statements	1	2	3	4	5
There is need to outsource some logistics functions in order to gain some competitive advantage					
Compared to the in-house execution of tasks, outsourcing is more beneficial.					
Outsourcing will enable the company to obtain skilled labour at a lower cost					
Outsourcing has a positive impact on organisational performance					

- The effect of inventory management on customer service.
7. To what extent does inventory management influence successful performance of customer service?
- Very Great extent [] Great extent []
 Moderate extent [] Low extent []
 No extent at all []

Kindly rate the extent to which you agree on the following statement where 1-strongly agree, 2- agree, 3- Not sure, 4- disagree, 5-strongly disagree to the influence of inventory management on customer service.

Statements	1	2	3	4	5
There is need to improve inventory management process					
Proper inventory management will lead to increased sales					
Proper inventory management will lead to improved forecasting					
Proper inventory management will lead to improved customer satisfaction					

- The effect of supplier relationship management on customer service.
8. Do the suppliers have an influence the successful performance of customer service
- Yes [] No []
9. If yes, to what extent?
- Very Great extent [] Great extent []
 Moderate extent [] Low extent []
 No extent at all []

Kindly rate the extent to which you agree on the following statement where 1-strongly agree, 2- agree, 3- Not sure, 4- disagree, 5-strongly disagree to the influence of supplier relationship management on customer service

Statements	1	2	3	4	5
Supplier relationship management will lead to better quality and quantity of information					
Supplier relationship management will lead to operational efficiency					
Innovative information from the suppliers can be gained and used to facilitate competitive advantage					
Good supplier relationship management affects the effectiveness of the supply chain					

- Customer service performance
10. How do rate your company’s customer service performance?
- Excellent [] Good []
 Moderate [] Bad []
 Poor []

Kindly rate the extent to which you agree on the following statement where 1-strongly agree, 2- agree, 3- Not sure, 4- disagree, 5-strongly disagree to the influence of customer service

Statements	1	2	3	4	5
Customer service leads to customer retention					
Customer service leads to attraction of new customers					
Customer service leads to improved profitability					
Customer service enables gaining of sustainable competitive advantage					

Appendix III: Work Plan

Time Frame	March 2016	April 2016	May, 2016	July, 2016	October, 2016	November, 2016	November, 2016
Proposal development							
Writing of research proposal							
Submission of draft proposal							
Presentation of final proposal							
Data collection and analysis							
Presentation of final research project							
Binding and submission of final research project							

Appendix IV: Budget

Item Description	Amount
Stationery, typing, binding, photocopy	Kshs.30,000.00
Transport and meals	Kshs.20,000.00
Library and internet search	Kshs.25,000.00
Phone Calls	Kshs.9,000.00
Research assistants in data collection 2persons for 7days @ Kshs. 1,000 per person per day	Kshs. 14,000.00
Miscellaneous (10%)	Kshs. 9,800.00
Total	Kshs 107,800.00