

EFFECTIVE CUSTOMER SERVICE HAS A MODERATING EFFECT ON LOGISTICS STRATEGY AS A COMPETITIVE INSTRUMENT FOR FIRM PERFORMANCE

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DOI: <https://www.doi.org/10.58257/IJPREMS39497>

ABSTRACT

By outlining the prior research and offering a conceptual framework for competitiveness in logistics strategy, this research paper aims to investigate logistics strategy as a competitive tool for firm performance and the moderating effect of customer service effectiveness. It does this by presenting academic and practical advantages. A literature review is set up to help today's scholars and logistics managers analyze what has already been researched and what still needs to be looked at. From the standpoint of the focal firm, the study links the efficacy of customer service with the constraints for further research, so broadening our understanding of logistics strategy as a competitive instrument.

Keywords: logistics strategy, company performance, competitive tool, sustainable development, systematic literature evaluation, and customer service efficacy.

1. INTRODUCTION

The importance of logistics has increased dramatically as a result of advancements in communication and transportation technologies. In order to accomplish the fundamental objective of regional economic integration and growth, logistics is essential (Tongzon, 2011). According to Kumar, Andersson, and Rehme (2010), logistics affects more than just transaction costs and timely fulfillment. Consequently, logistics also contributes to the competitive responsiveness of the business when process, market, information, and channel strategies are combined with the overall logistics plan with a strong emphasis on customer service.

Therefore, the requirement for such a high standard of customer service motivates management to develop a thoughtful and coordinated logistics plan that optimizes effectiveness, customer focus, and information sharing throughout the network (Kohn, McGinnis & Kara, 2011). Customer satisfaction in logistics networks invariably rises as distribution timeliness is improved. Therefore, regardless of the industry they compete in, manufacturing organizations who want to be leaders in customer service must continue to possess those kinds of competencies. Additionally, sustaining high standards of customer service requires dependable logistics systems.

Novaes (2007) argues that by retaining an appropriate and pre-established logistics service level, modern logistics strives to completely integrate CS. Daugherty et al. (1998), suggest that high levels of customer service are correlated with logistical capabilities. Esper et al. (2007) agree that while the pursuit for competitive advantage will take place by distinguishing the logistics services offered, that would have an impact on customer service.

However, it's crucial to understand some of the difficulties and restrictions associated with a customer service focus. Three limitations are revealed by Bowersox et al. (2014): the definition of contentment; the reality that satisfied consumers are not always devoted, repeat customers; and the conclusion that what satisfies one customer may not fully please another. In this regard, Christopher (1999) advises using market research to define customer service criteria and comprehending the intricacies of goods and services that set clients apart.

With new developments such as increased global trade, growing consumer demand for quick, customized responses, and the removal of trade barriers, an efficient logistics strategy has become essential to maintaining a competitive edge and breaking into new markets. Halley and Guilhon (1997) assessed small business logistics strategies using both primary and qualitative data. The results demonstrated that small businesses lacked both illogical and sensible logistical methods. Nevertheless, two influencing elements have been found that are associated with the creation of a logistics plan for small businesses. In a further examination of specific logistics operations of small businesses engaged in international trade, Murphy, Daley, and Dalenberg (1995) discovered different types of distribution networks among all the enterprises surveyed.

2. LOGISTICS STRATEGY

The logistics strategy pertains to the process of meeting customer needs and is established by a number of choices on the primary logistics areas of business operations in order to achieve long-term profitability. Therefore, a logistics strategy depends on its context and addresses it in a way that is specific to the circumstance. Numerous investigations

were carried out in the logistics industry to pinpoint contextual elements. In addition to the extensive network of suppliers and distributors, McGinnis and Kohn (1993) acknowledged the degree of institutional hostility in the environment and the logistics issue (defined as the cost percentage of parts and materials, decentralized corporate culture with separate business divisions). The emergency logistics model was presented by Closs, Goldsby, and Clinton (1997) and included environmental dynamism, environmental aggressiveness, and IT logistics.

A generic logistics strategy's guiding principle should be understood as a standard decision-making process for a variety of logistics-related tasks. One or a combination of general logistics strategies should be implemented in order to successfully and efficiently meet the needs of customers in terms of logistics systems (Fabbe-Costes, & Colin, 2007).

3. METHODOLOGY

Qualitative methods usually seek detailed explanations of phenomena in a given context (Naslund, 2002). The intriguing phenomenon can then be further understood or described by interpreting those notions (Sachan & Datta, 2005). Finding links or paradigms in the data that can be organized into a more theoretical or explanatory framework is the fundamental objective (Strauss and Corbin, 1998). Five methods of qualitative research are covered by Creswell (2016): case studies, grounded theoretical research, ethnographic research, phenomenological analysis, and narrative studies. Narrative studies are typically defined as a lived or narrated tale of a person or entity for a certain topic area (Clandinin, 198).

Qualitative investigations are undoubtedly a powerful research tool, but their results are frequently questioned for their robustness and possibly even their interpretive value (Morse, 2015). Researchers as well as history serve as the foundation for explanations (Creswell, 2016). Because interpretations differ from those of other researchers or because the interpretations offered are deemed wrong, qualitative approaches are more likely to be disregarded. To enable other researchers to examine the perception underpinnings of any data collection, the qualitative analysis techniques must be addressed (Schwandt, Denzin & Lincoln, 1994).

When conducting research to improve our understanding of how the world works, it could be crucial to employ a methodical approach to critically assess earlier studies (Strauss & Corbin, 1998). To the extent that we may assume the value of prior research, the benefits of studying historical literature make it easier to create grounded theories or hypotheses from their actual or anticipated applications (Morse, 2015). This is the real benefit of doing a thorough and methodical review of earlier studies (Charmaz, 2001).

4. SYSTEMATIC LITERATURE REVIEW

Bowersox and Daugherty created the first recognized theory of commercial logistics strategy in 1987. In order to gain a strategic competitive edge through logistics, three distinct operational orientations were developed, along with related operational trends and strategic twirls. Their first typology encompassed market-based, process-based, and information-based strategic logistics. Three-dimensional strategic logistics orientation was developed by Bowersox and Daugherty (1987) and can be applied separately or in conjunction to meet organizational activity requirements. These include informational, market, and process strategies as well as channel strategies. According to Kohn, McGinnis, and Kara (2011), it is thought to be the first recognized category of business logistics strategy.

Logistics would greatly enhance competitive organizational responsiveness when process, market, or even information demands are incorporated into the overall logistics strategy and customer service is clearly focused, as perceived by the customer (Kohn, McGinnis, & Kara, 2011). According to current research, the Bowersox and Daugherty typology provides a precise theoretical framework that has held up over time in terms of superior logistic strategy features. These metrics should be incorporated into numerous facets of the business advantage in order to attain competitive flexibility (Kohn, McGinnis & Kara, 2011). The goal of this study is to better understand the dynamics of logistics management strategy and expose its complexities in order to maintain and enhance competitive responsiveness.

In 2008, Autry, Zacharia, and Lamb evaluated 254 directors of logistics across multiple industries. Two facets of logistics strategy were delineated by their work: an externally focused logistics strategy and an operational (functional) logistics strategy. The former has been portrayed as being exactly the same as Bowersox and Daugherty's process strategy. The latter has been portrayed as having some connection to the information strategy or channel. McGinnis, Kohn, and Spillan (2010) used the Bowersox and Daugherty dimensions of process, market, and information or channel strategies as predictor variables along with three dependent variables to compare the development of logistics strategy between 1990 and 2008. The anticipated variables are the company's competitive responsiveness, customer service efficacy, and logistics coordination effectiveness to identify and evaluate any advancements in the logistics strategy that have taken place during that time. The role of logistics in supply chain management and other operations

like sales, manufacturing, and procurement is thoroughly explained in the literature on logistics management (Mentzer, Stank, & Esper 2008). After conducting an empirical investigation, Larson, Poist, and Halldorsson (2007) came to the conclusion that senior supply chain executives disagree on whether logistics is a part of supply chain management (from a unionist perspective) or whether the two are overlapping (from an intersectionist perspective).

Determining a company's position on logistics strategy is part of the typology and classification of logistics strategies (Słowiński, 2008). Global corporate strategy takes precedence over logistics strategy, which is undoubtedly a pragmatic approach. Currently, research is being done to identify trends and dynamics that affect the logistics structure as well as the production and logistics systems strategy. The significance of logistics for businesses is what makes this recognition significant, according to professionals, employees of the organization where manufacturing and logistics processes are carried out, and academics whose interests are related to these fields (Hadaś, Stachowiak & Cyplik, 2014).

The method by which a business achieves its goals is known as its logistic approach. The following strategies, whether based on cost reduction or service differentiation, were outlined at the general level in accordance with the established rationale (Kisperska-Moroń, 2002): Strategies of complementarity, which relate to differentiation and focus strategies, and strategies of substitution, which correspond to overall cost-leadership strategies. According to Tammela, Canen, and Helo (2013), time compression seems to have been a highly competitive source of advantage related to supply chain and logistics strategies and issues with placing the right product in the right amount at the right time for the right client.

Every firm must modify its present logistics strategy to compete with it, regardless of whether a single logistics scenario for your logistics and geographic environment segment is the most accurate or whether your future combines aspects from multiple scenarios. Gross domestic product is significantly influenced by logistics efficiency. National income is significantly influenced by logistical efficiency. Prioritizing investments in transportation infrastructure and increasing the effectiveness of logistics systems require an understanding of and ability to break down the components of logistics efficiency.

The advantages of integrating logistics into the organization's overall business plan were highlighted by Heskett's research in the 1970s. According to Mintzberg (1998), a corporate strategy usually establishes the direction, evaluates activities, characterizes the organization, and ensures consistency across the whole. From the perspective of logistics strategy, the goal of logistics is to increase the company's efficiency by supporting its business plan (Bourlakis & Bourlakis, 2001). Furthermore, operational strategies need to be in line with the organization's corporate plan as well as with each other (Fine & Hax, 1985). Therefore, it is essential for firms to develop operational strategies in order to avoid developing separate company and/or corporate strategies (Hill, 1997).

According to La Londe and Mason (1993), logistics principles are the cornerstone of a business's ability to react logistically to outside demands. Up until the late 1970s, logistics literature concentrated on developing the best possible operations within the specified logistics system (McGinnis & Kohn 1993). The importance of logistics in business strategy was discussed by Heskett (1977), and in the 1980s, logistics research started to investigate the logistics strategy theory. However, the majority of research on logistics tactics focuses on certain areas, such as storage in the post-1992 European sector (Clinton & Closs, 1997). The primary goal of earlier quantitative logistics strategy research was to identify different logistics strategy typologies. A survey of manufacturing companies of various sizes in the United States, encompassing numerous industries in certain geographical areas, was carried out by Kohn et al. (1990). Factor analysis has identified the following elements: commitment to an integrated computer system, customer service, unified customer service, structured logistics, and logistics management quality. It showed that logistics tactics differ greatly amongst businesses based on business strategy and the degree of environmental antagonism from the outside.

5. RESULT

The results of the systematic literature review are presented in the paragraphs that follow. To better comprehend the results, a number of trends have been identified, which provide context for the findings of earlier studies. These subjects include customer service efficacy, logistics tactics, and the connection between logistics strategies and corporate performance. Below is an exploration of each topic area.

Logistics strategy: According to Heskett (1977), logistics strategy is a competitive and strategic approach that encompasses a number of elements that influence the company's competitive response. In conventional business structures, a company's operations would be more efficient with an effective logistics plan. Among the numerous operationally impacted areas, customer service is still acknowledged as the area of most concern for a number of businesses. These generic logistics methods are fundamentally defined by fundamental logistics principles in order to

improve process efficiency. While La Londe and Mason (1993) proposed certain logistics principles that provide a foundation for the response of logistics to external stimuli, Persson (1995) proposed the most basic rules for maximizing process efficiency. In addition to developing theoretical viewpoints on logistics strategy, logistical managers must consider the Managers are eager to discover efficient methods of coordinating the systems and procedures that create and carry out their corporate logistics plans (Slater & Olson 2001; Walker and Ruekert 1987). Even though Bowersox and Daugherty's (1987) strategic recommendations provide a great deal of insight into the options available to businesses in the logistics strategy, further research and developments in the logistics industry indicate that this initial classification may need to be reexamined.

Logistics strategy and firm performance: A logistics strategy must meet the requirements for a strategy by being consistent with the general features of an organization's business strategy and in line with the other operational techniques. A plan that meets the needs of customers and other supply chain partners must be created for particular businesses operating throughout the supply chain (Christopher & Towill, 2002). The most widely used sources for all of these analogies are by far the actual performance achieved in the previous ten years, performance achieved through nearly identical operations throughout the company, performance reached by numerous other companies, benchmarks, accepted goals set in the logistics strategy, object standards, and recognized industry standards.

Effectiveness of customer service: According to Kohn, McGinnis, and Kara (2011), a well-planned logistics strategy frequently results in higher-quality customer service. Therefore, the requirement for such a high standard of customer service motivates management to develop a thoughtful and coordinated logistics plan that optimizes effectiveness, customer focus, and information sharing throughout the network (Kohn, McGinnis & Kara, 2011). Customer satisfaction in logistics networks invariably rises as distribution timeliness is improved. Therefore, regardless of the industry they compete in, manufacturing organizations who want to be leaders in customer service must continue to possess those kinds of competencies. Additionally, sustaining high standards of customer service depends on dependable logistics systems.

Suggested Research Agenda

Despite numerous research spanning more than ten years, there is a lack of information on what is now available, including features for each of the linked strategy areas. However, Autry, Zacharia, and Lamb (2008) pointed out that it is also likely that the logistics field has advanced since the initial typology was introduced, and some of the variations in findings may arise from the different perspectives of managing logistics which have advanced at the same time as the study flow. Such inconsistencies may arise from the different samples or even methodological approaches used by the previous research.

Although a lot of other publications have focused on the idea of sustainable development in relation to the supply chain (Seuring and Muller, 2008), not much research has been done to comprehend the function and significance of logistics in an organization's pursuit of sustainability. The needs of customers are significantly increasing (PWC, 2016 as referenced by Carbone, Rouquet & Roussat, 2018). Everyone, including businesses, expects merchandise to be delivered more effectively, with greater flexibility, and with minimal or no shipping costs for consumers. The logistics industry finds it difficult to keep up with the growing trend of individualized manufacturing output, even while it benefits consumers.

Finding three or four distinct categories is a good compromise when using a "one size fits all" logistics method, which is less expensive but offers fewer services. This technique carries hazards because of excessive customization and high costs (Gattorna, 2006). Logistics managers must take into account the implications of the logistics strategy classification described here in addition to developing theoretical understandings of logistics strategy. Managers are looking for more efficient ways to organize the processes and activities that create and carry out their business plans (Slater & Olson, 2001).

Researchers looking at the moderating effect of customer service efficacy on the link between different logistics techniques as a competitive tool for business performance should also take into account more studies in this area. For instance, how does the relationship between process strategies and company performance get mediated by the effectiveness of customer service? In what ways does the relationship between market strategy and company performance get tempered by the effectiveness of customer service? Furthermore, how does the relationship between information or channel strategy and business performance get tempered by the effectiveness of customer service? Lastly, research on logistics strategies have to be conducted at the logistics network's functions. The proposed cause-and-effect relationship is shown below.

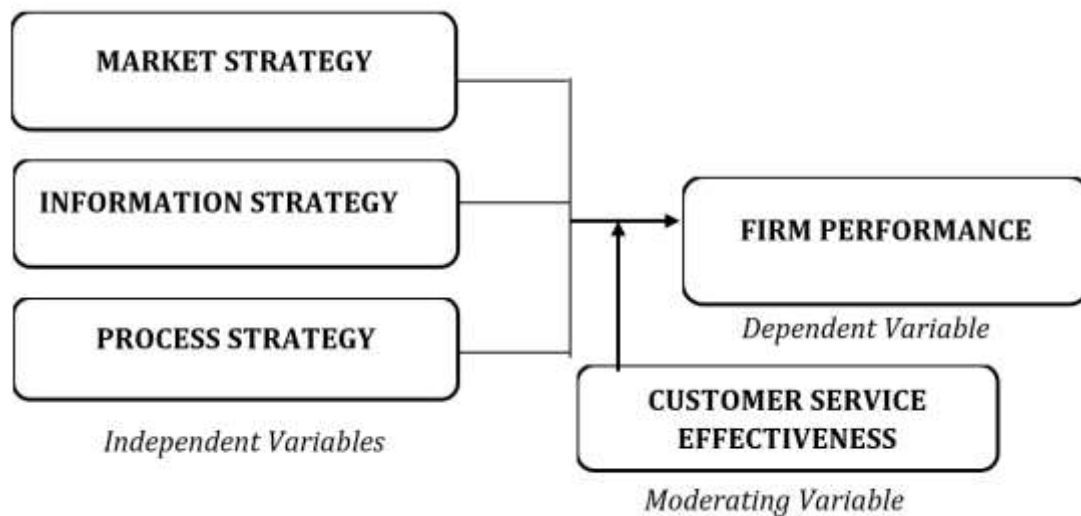


Figure 1: Suggested cause and effect relationship

6. LIMITATION AND CONCLUSION

The current body of research has flaws. An objective review of logistics strategy as a strategic resource for firm performance was one of the goals of the recent study. Another was to examine the moderating effect of customer service effectiveness, which could offer a conceptual framework for future research on logistics strategy. This does not negate the validity of subjective or traditional literature reviews. Traditional literature reviews are typically carried out to help studies be implemented more quickly, not so much because authors are hesitant to do in-depth, detailed analysis. However, when employing an objective approach to a literature review on an established trend, a systematic literature analysis on logistics strategy restrictions may need to be produced in order to maintain research.

Ten academic journals were also taken into consideration for the systematic literature review, which means that some articles from other disciplines and other logistics journals were not included in the current review. Third, because of the focus on logistics strategy, many papers dealt with different types of logistics strategy; in this context, the systematic literature review excluded interpersonal relationships from the public sector, service providers only. Lastly, the goal of the new studies was to provide a focused company approach of the logistics strategy as the decision to align the logistics strategy with the results of the corporate strategy. Future studies should include results from many other relevant fields to see if this will foster comprehension of logistics strategy as a competitive tool for firm performance.

To find out if there are any discrepancies between the two perspectives, it could be helpful to examine logistics strategy from the perspective of a logistics network, which consists of several businesses. The purpose of this study is to begin investigating issues with logistics strategy as a competitive instrument for business success and the moderating role of customer service effectiveness. Existing research on logistics strategy is built upon and supported by the systematic literature review. Logistics management appears to be both passive and under-researched, despite years of emphasis on strategy and conflicting evaluations. It is hoped that there will be a renewed emphasis on analyzing issues related to the logistics strategy as a competitive instrument for company success, rather than that things will change.

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