

The Importance of Customer Satisfaction in Logistics and Supply Chain

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ABSTRACT

In today's competitive environment, the most important factor that drives a business towards success is customer satisfaction, which sets a company apart from its competitors and determines whether the customer is coming back to make the purchase again. To ensure customer satisfaction, the entire process of receiving the order to the delivery of the product needs to be tracked and overseen to maintain quality and ensure timely delivery. A dissatisfied customer has lots of other companies to choose from; hence, every logistics company needs to have a strategy to retain customers and keep them happy. Customer satisfaction is of utmost importance because it gives business owners a parameter which is used in analyzing their future success and it works like a tool to improve their business prospects.

Keywords: customer satisfaction, customer retention, strategies

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INTRODUCTION

Right from the time of accepting the orders to the final delivery, there should be checks and balances at every stage to ensure smooth functioning. The impeccable service by the *dabbawalas* in Mumbai is one of the finest examples of hyperlocal delivery. There should be proper coordination among various hubs and people involved, and the routing plays an important role too. If the services are good, the customers are satisfied, and satisfied customers bring in more business, hence more revenue.

IMPORTANCE OF CUSTOMER SATISFACTION

Identify Customer's Intentions and Loyalty

The customers can be asked to rate the services on a scale of 1 to 10 and this can further be used to predict if the customer will come back to make the purchase again, or he is unhappy and likely to leave and go to another vendor or provider. If

the rating is between 9 and 10, then they are the repeat customers who will surely come back and spread a positive word of mouth. If the rating is 7 and above, it is considered satisfactory and that means that they most likely be the repeat customers. Anything below 6 is worrisome as it indicates that the customers are dissatisfied and there is a high probability that customers will leave and approach another vendor or service provider. Hence, there is a need to be watchful and take the feedback seriously and work on the suggested areas in order to retain the customers.

An Edge over the Competitors

In a competitive environment where there is a plethora of options for a consumer, customer satisfaction can be a key factor which distinguishes one company from another. For example, if two different companies are offering the same services at the same time then the customer will try to look for reviews to decide which service

provider to go for. Good reviews are driven primarily by good customer service. So, to remain in the race, customer service cannot be overlooked in order to succeed.

Less Customer Churn

As per a customer satisfaction report in 2008, the primary reason that causes maximum customer churn is poor customer service as opposed to the price of the product or services. The best way to reduce customer churn is to track customer satisfaction and improve the level of satisfaction

Customer Lifetime Value

As per an Info Quest study, '100 percent satisfied customer' contributes 2.6 times more revenue than a 'barely satisfied customer'. Also, a '100 percent satisfied customer' contributes 14 times more revenue than a 'barely dissatisfied customer'. Customer satisfaction determines how much revenue a customer can generate for the business. By increasing the customer lifetime value (CLV), one can expect more returns on each invested penny.

Word of Mouth

A dissatisfied customer spreads the word among 9–15 people about their experience. And some tell about 20 people about their bad experience which is a huge number and can immensely affect the business adversely. Customer satisfied leads to a long-term association and hence repeat purchases, which means more revenue. Losing one customer is not just limited to that customer; it prohibits 20 other prospective customers from getting associated if the negative word of mouth is spread.

Retaining Customers better than Acquiring New Ones

It is easier and cheaper to retain existing customers than acquiring new ones. The cost difference can be 6 to 7 times more. Hence, it is extremely important to keep

the customers satisfied and have them coming back in the future. To accomplish that, a robust customer service team needs to be placed. It would also give a little less burden to the marketing team.

CUSTOMER RETENTION STRATEGIES

- Make personal connect with the customers.
- Ask for feedback regularly.
- Listen to the customers and their problems.
- Customize the services and products to please the customers.
- Ensure timely delivery.
- Keep them apprised of any unforeseen delay or cancellation.

There are three different variables which influence the level of satisfaction in a customer:

- *Cognitive variables*: Determined by the quality of the services or product received by the customer.
- *Affective variables*: Determined by the way the customer was handled and whether the customer was well understood and listened to during the purchase or execution of the order.
- *Conative variables*: Determined by the first interaction with the customer.

Customer satisfaction is often considered a very important business development tool. What most organizations are grappling with is a reliable, result-oriented, and standardized customer satisfaction process which needs tools like an effective survey form and a team to ensure that the changes get implemented as per the preferences and the feedback given by the customer.

CONCLUSION

As understated as it may be, customer satisfaction is an important aspect responsible for the success of any business. In logistics, it is not just the proper packaging, shipping, and timely delivery that a company needs to strive to

achieve, an equal amount of emphasis also needs to be given to customer satisfaction as well, which ultimately determines a company's future. Customer satisfaction is primarily used as a marketing tool and makes the organization aware of its shortcomings and limitations and hence drives the company towards introspection and make amendments to perform better.

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