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DIMENSIONS OF SERVICE QUALITY IN ENHANCING SUPPLY CHAIN  
MANAGEMENT FOR COURIER SERVICE INDUSTRY IN MALAYSIA

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## **DEDICATION**

Di atas segala rasa cinta dan bangga, anakanda mengabadikan hasil karya ini untuk ayahanda bonda yang dikasihi hingga akhir nyawa.

Rafizi Sharif & Nor Razilawati Abdul Razak

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## ABSTRAK

Terlalu banyak idea telah digunakan untuk meningkatkan pengurusan rantai bekalan dalam organisasi. Ia adalah penting untuk membina rantai bekalan yang baik bagi tujuan mewujudkan proses yang lebih baik dalam organisasi. Walaupun inovasi membolehkan syarikat untuk mencapai margin keuntungan yang lebih tinggi, namun ia adalah berubah ubah berdasarkan permintaan yang tidak menentu. Oleh itu, meningkatkan rantai bekalan dalam organisasi adalah salah satu kaedah terbaik yang boleh dilaksanakan. Tambahan pula, bagi industri perkhidmatan kurier, dimensi kualiti perkhidmatan (SERVQUAL) dapat meningkatkan pengurusan rantai bekalan. Di Malaysia khususnya, perkhidmatan kurier adalah salah satu sektor perkhidmatan terbesar yang perlu mempunyai pengurusan rantai bekalan yang berkesan. Walau bagaimanapun, salah satu cara untuk memastikan peningkatan rantai bekalan adalah dengan membentuk kualiti perkhidmatan yang lebih baik kepada pelanggan. Kajian ini menggunakan strategi penyelidikan kaji selidik untuk mengenal pasti dimensi kualiti perkhidmatan yang boleh meningkatkan pengurusan rantai bekalan yang terbaik dalam organisasi. Kajian ini telah dijalankan dalam beberapa syarikat kurier di Malaysia dan data yang dikumpulkan adalah daripada 98 responden yang terdiri daripada organisasi yang berbeza. Kajian mendapati bahawa, terdapat lima dimensi kualiti perkhidmatan membawa kepada peningkatan pengurusan rantai bekalan. Antara kelima lima dimensi tersebut, satu dimensi yang paling mempengaruhi peningkatan rantai bekalan di syarikat kurier telah dikenalpasti dan ia telah dikaji dengan terperinci dalam laporan ini. Kesimpulannya, setiap syarikat perkhidmatan kurier di Malaysia perlu mengenal pasti dan menggunakan dimensi yang terbaik untuk meningkatkan dan memperbaiki pengurusan rantai bekalan untuk proses organisasi yang lebih baik secara keseluruhan.

## ABSTRACT

Too many ideas and brainpowers been used to enhance the supply chain management in the organization. It is important to construct a good supply chain for the purpose of creating better process in the organization. Although innovation can enable the company to achieve higher profit margins, the very newness of innovative products makes demand on them unpredictable (Fisher, 1997). It shows that even innovation seems to be the best solution for almost every organization to stay competitive in the market; it is not always the best way to sustain them because demand is very fluctuates over time. Therefore, enhancing supply chain in the organization is one of the best methods to apply. On the other hand, for courier service industry, the dimensions in service quality (SERVQUAL) seem to enhance the management of supply chain. In Malaysia specifically, courier service is one of the largest service sector that need to possess great supply chain management. Nevertheless, one of the ways to ensure the enhancement of supply chain is be able to design a better service quality to the customers. This study used the survey research strategy to identify which dimensions of service quality that can enhance the supply chain management the best in the organization. The study was conducted in few courier companies in Malaysia and the data was collected from over 100 respondents from different organizations. It was found that, there are five dimensions of service quality lead to the enhancement of supply chain management. Among those five, one strong and solid dimension was identified as the most influence dimension of enhancing supply chain and it had been studied well in this report. As a conclusion, each courier service company in Malaysia needs to identify and apply the best dimension of service quality to enhance and improve its management of supply chain for the overall organization process.

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## LIST OF ABBREVIATIONS

SERVQUAL	Service Quality
SCM	Supply Chain Management
GDP	GROSS Domestic Product
RM	Research Methodology

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

The basic need for every organization is to own better structure and process. When talking about process within the organization, the concept of supply chain management will appear. A good chain of supply is essential to ensure the smoothness of the whole process. It is compulsory to study on the ways to enhance the supply chain. Supply chain management (SCM) is the backbone of better operation in the organization. In order to enhance SCM in service industry, the organization must be able to possess the dimensions of service quality in the organization. This study will discuss more and detail about the dimensions of service quality in enhancing supply chain management in courier service companies in Malaysia.

#### **1.2 Background of Study**

Organization management today demands the smooth and improved process of supply chain to make them able to penetrate market easily and sustain in this wide industry. Supply chain management is the vital factor needs to be studied very well by

each organization in order to fulfill the market demand. However, most of the failure of supply chain management is not because of the organization lacks of great ideas but it failed to implement and sustain supply chain process.

Since supply chain management is very important yet it is not well applied, the best method of enhancing the supply chain has to be identified. By identifying the best way of enhancing the process of supply chain, the organization will be able to examine the weak spot of the organization and trying to develop better process for the sake of the future.

Specifically in service sector, the best way to enhance supply chain management is by offering a better service quality to the customers. In order to do that, the organization needs to really study on the service quality dimensions that is applicable within the organization. First and foremost, everyone in the organization has to play their roles and take part with the improvement process. They have to really understand the reason why the enhancement of supply chain is important and only then they will realize how important for them to overcome the problems together.

There was one model called as Service Quality (SERVQUAL) designed by Parasuraman that had investigated the relationship between quality service and how it affected the perception from the customers. Eventually, the theory and result from the previous study can be related to the supply chain enhancement in courier service industry because SERVQUAL is investigated for service and retailing industries.

However, the focus is more to service industry and niche to the courier service industry. The most famous and frequent problems occurred in courier service are the poorly of time management regarding to the delivery of items, sending items and receiving items. Nevertheless, the quality of the items after the delivery also one of the problems faced by courier service company. Although the items were still in a good condition when they arrived at the center but the items might be defected or spoilt during



the process of delivery. Not to mention, sometime a small technical error can lead to a massive problem.

That is why the organization especially courier companies have to enhance their supply chain process and put a better standard of service quality along processes. For that reason, the researcher wants to investigate more about dimensions in service quality that can enhance the supply chain management in courier service industry.

### **1.3 Problem Statement**

This study arises from the awareness of investigating the dimensions of service quality in enhancing supply chain management in courier service industry. As far as the researcher and everyone concern, supply chain management is the foundation process of every organization in the world. The process of supply chain starts with input and ends with output. It is the linkage of every process occurs within the organization. The lack of supply chain management will lead to the inefficiency of the whole process.

Basically, one of the ways to enhance the supply chain management is by studying more on the service quality dimensions. The dimensions in service quality contribute to the enhancement of the supply chain management inside the organization. However, too little knowledge about the dimension in service quality known by the organization in courier service industry specifically. In order to enhance the supply chain management, the organization needs to apply the dimensions of service quality very well and it require them to fully understand about the dimensions in service quality itself. The dimensions include tangible, reliability, responsiveness, assurance and empathy.

In addition, courier service industry is always dealing with supply chain management during the frequent activities. However, it is found that the failure of

supply chain management is not because of lack in ideas but the lack in the implementation and sustaining the ideas itself. For that reason, this study focuses on identifying the dimensions in service quality in enhancing the supply chain management and how are these two affected to each other.

#### **1.4 Purpose of Study**

The purpose of the study is to determining the dimensions of service quality in enhancing the supply chain for courier service industry in Malaysia. The dimensions that will be investigated are tangible, empathy, assurance, responsiveness and reliability.

#### **1.5 Research Questions**

Precisely, this study is arranged based on follow questions:

- i. What are the dimensions of service quality that enhance the supply chain management in courier service industry?
- ii. What is the best dimension of service quality to enhance the supply chain management in courier service industry in Malaysia?
- iii. How the best dimension of service quality enhancing the supply chain management in courier service industry?

## 1.6 Research Objectives

Specifically, this study is conducted to achieve the following objectives:

- i. To determine the dimensions of service quality in enhancing the supply chain management in courier service industry.
- ii. To examine the best dimension that enhances the supply chain management in courier service industry.
- iii. To analyze the best dimension of service quality in enhancing supply chain management in courier service industry.

## 1.7 Significance of Study

The purpose of this study is to determine the dimensions of service quality in enhancing the supply chain management in organizations for courier service sector. The researcher is investigating the main dimension that contributes to the enhancement of supply chain management for the courier companies. This study focuses on the service sector in Malaysia in the scope of courier service companies. Since courier service is dealing with many obsessing factors that require them to fully understand about the better management of supply chain, the researcher find out there are factors in service quality dimensions that can aid in enhancing the supply chain management.

Therefore, the researcher wants to at least provide evident by doing this research about how the dimensions of service quality can enhance the supply chain management and how these two things affected each other. This study is to increase the awareness of the managers, employers and employees in courier service industry about the importance

of implementing better management of supply chain by providing ways of implementing the service quality dimensions.

Furthermore, the researcher also wants to portray the factors in the best dimension of service quality that affected the supply chain management. Moreover, this study intends to acknowledge the top management on implementing and sustaining a good supply chain management and applying better service quality towards the consumers.

### **1.8 Scope of Study**

This study concentrates on the determination of dimensions in service quality that enhance the supply chain management in courier service industry in Malaysia. This study also includes the examination of the best dimension to enhance supply chain management using the service quality (SERVQUAL) dimensions. It also analyses the factors in the dimensions of service quality that will enhance supply chain management inside the companies. Nonetheless, this study only focuses on organizations in courier service industry. This study also implements for courier service companies in Malaysia only and the research were conducted to a few courier companies in Malaysia in order to obtain the result.

## **1.9 Definitions of Key Terms**

### **1.9.1 Supply Chain Management**

The supply chain encompasses all activities associated with the flow and transformation of goods from raw materials stage (extraction), through to the end user, as well as the associated information flow. Materials and information flow both up and down the supply chain. *Supply chain management (SCM) is the integration of these activities through improved supply chain relationships, to achieve a sustainable competitive advantage (Handfield and Nichols, 1999)*

### **1.9.2 Service Quality (SERVQUAL)**

Service quality can be defines as the satisfaction of the customers with the service offered by the organization. It is also the degree of service performance that achieves the satisfaction of the customers.

### **1.9.3 Customer Satisfaction**

Customer satisfaction is defined as the ability of the organization to fulfilling customer's demand and the positive acceptance from the customers regarding to the company's products or services.

#### **1.9.4 Service Industry**

Service industry is refers to companies that primarily earn revenue through providing intangible products and services. Service industry companies are involve in retail, transport, distribution, food services, as well as other service-dominated businesses (Businessdictionary, 2012). Each company in service industry is offering services to the customers rather than tangible products.

#### **1.9.5 Courier Service**

Courier is a company or employee of a company that transport packages and documents meanwhile courier service is a messenger for an underground or espionage organization (Oxforddictionaries, 2012).

### **1.10 Summary**

This chapter consists of a brief explanation about the background of study. It describes the problem statement, purpose of study, research objectives and research questions. It also includes the scope of study as well as the significance of study. Moreover it explains some of the definition of key terms that will be used throughout this study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter comprises of the explanation on fundamental of supply chain management and also the background of service industry in Malaysia. It also includes the concept of SCM in service sector organizations. Furthermore, this chapter also discusses about the importance of SCM towards courier companies in Malaysia as well as the conceptualization of service quality. Moreover, the dimensions of service quality in courier service had been utilized one by one in the chapter. Furthermore, the relationship of dimensions in service quality and supply chain management was recognized. Last but not least, the summary of the chapter is provided.

## 2.2 Fundamental of Supply Chain Management (SCM)

There are so many discussion and argument about the definition of supply chain. A lot of expertise and gurus of business have their own definitions and thoughts about the process of supply chain. Based on the words from Monczka and Morgan, they stated that the definitions may vary from different gurus to another. *These varying definitions often carry through to the extent that the key people in the same organization are not talking about the same things when they discuss the concept of supply chain management (Monczka and Morgan, 1997).*

The very fundamental concept of supply chain is the process that connected the firm to the customers. Since supply chain is the continuous process starting from the input and end with the output, it shows that everything happen in between the input and output is closely related to the end result of supply chain. According to *Crom, 1996, he said that supply chain is the flow of information and materials to and from suppliers and customers.*

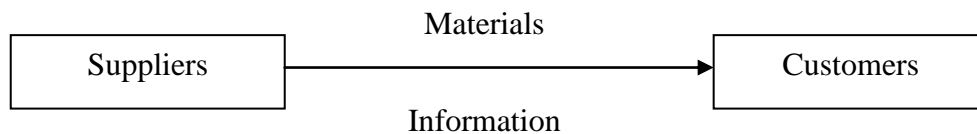


Figure 2.2: The fundamental process of supply chain

This type of definition is generalized to any sectors and it is applicable to any industries because each industry and organization is run based on its suppliers and customers. Therefore, supply chain will always have to do with the suppliers and