PalArch's Journal of Archaeology of Egypt / Egyptology

EFFECTS OF LOGISTICS PROBLEMS ON LOGISTICS PERFORMANCE AND CUSTOMER SERVICE SATISFACTION IN RETAIL STORE: THE CASE OF IKEA, JEDDAH, SAUDI ARABIA

Sara Mashhur[1], Ahmed Attia[2]

[1,2] College of Business, Effat University, Qasr Khuzam St., Kilo. 2, Old Mecca Road.

P.O.BOX 34689, Jeddah 21478, Saudi Arabia.

Email: [1]smashhur@effatuniversity.edu.sa, [2]ahattia@effatuniversity.edu.sa

ABSTRACT

The study aimed to discuss on logistics problem that affected logistics performance and customer services satisfaction in IKEA=Jeddah branch. The qualitative and quantitative methods had been used to collect the data. The primary data had been collected through interview and survey. Meanwhile, secondary data was collected through Key Performance Index (KPI) reports. The questionnaire survey was present for IKEA customers and manger at IKEA was selected to identify common logistics problems and provided required data for this study. The survey questionnaire used to measure the customer satisfaction for the store service. The result showed common logistics problems at IKEA Jeddah branch related to order cycle time, lead time and stock availability. These problems affected the logistics performance in the store that led to customer dissatisfaction. The service level performance of IKEA Jeddah branch was less improving on their store that led to poor service and customer dissatisfaction.

INTRODUCTION

The common important of logistics in any business is to achieve the customer's needs. Logistic also help in providing the company with the highest level of capacity production with the lowest possible cost to serve customers' requirement. Therefore, the important of logistics also including value creation of services, cost saving, and increasing the speed of the order placement and order receiving.

Supply chain is defined as management of business processes or activities correlated with coordination and there are linkages in the supply chain network [1]. In additions, supply chain management (SCM) is defined as arrangement, planning, control and realization of product flow from design and purchase through production and distributes to end customer [2]. A supply chain is facilities network and distribution options that perform the function material procurement, material transformation into intermediate and finished products and. Mutual dependence, trust, cooperation and shared goals between supply chain partners are considered to be ultimate core capabilities [3]. The SCM is business strategy to improve shareholder and customer value by optimize product flow, services and related information from source to customer [4]. SCM is holistic approach to demand, sourcing and procurement, production and logistics process management [5]. Target of SCM is developing processes that help the organization to achieve its overall results through development of activities which result in maximum possible return in shortest period [6]. Supply chain management is a network which involves all parties concerned directly or indirectly includes company, supplier, seller, client in producing and delivering goods or services to final customer in both upstream and downstream level [7].

Logistics is a key driver of economic growth, wealth creation and jobs [8]. Logistics bases are private centers which all logistic activities for international or national transitions such as transport, handling, storage, consolidation, custom clearance, degradation, export, transit operations, insurance and banking, infrastructure and consultancy [9]. SCM is important operational strategy for improving organizational competitiveness and responding adaptiveness to change market conditions [10].

IKEA is one of the largest retailer companies in the world furnishing founded by Ingvar Kamprad in Sweden in 1943 at small village. IKEA was starting to sell small things such as wallet, picture frames, tables, watches and pens. Now IKEA is a well-known global brand company for modern and fashionable home furniture and has 321 stores in different 38 countries around the world. IKEA is success in furniture fields because high quality of furniture and accessories and lower prices. IKEA has a good knowledge to developing and understanding their customers need.

The goal of IKEA in-store logistics is to provide customers with large volumes of products available, lower costs and highest standard of service level to meet customer satisfaction for the service in the store. Moreover, logistics is helping the store to collect the information of the sales and creating the balance between the physical space and the safety stocks size. Logistical problems have a negative effect on logistics performance and customer service satisfaction. Logistical problems of IKEA store are common at the order cycle time, lead time, and stock availability. The study aimed to discuss on logistics problem that affected logistics performance and customer services satisfaction in IKEA Jeddah branch.

METHODOLOGY
In this study, the qualitative and quantitative methods had been used to collect the data. There were three core of qualitative method such as self-reflexivity,

context and thick description. Self-reflexivity is way the study had view on past experiences and interaction. Meanwhile, context was inundation the meeting with company or interviewed with people to build knowledge from different people and work aspects. Thick description directly related to the idea, context and particular circumstances of present and past. Quantitative method had used graphical diagrams, statistical and mathematical sampling.

The data had been collected through primary and secondary data. The primary data had been collected through interview and survey. In additions, secondary data was collected through Key Performance Index (KPI) reports. The interview had been done with deputy logistics manager at IKEA-Jeddah branch. The IKEA KPI and service level report for last four year and identify common problems in logistics area to analyse finding.

Furthermore, there were two sampling techniques was selected in this study. The questionnaire survey was present for IKEA customers and manger at IKEA was selected to identify common logistics problems and provided required data for this study.

The survey questionnaire used to measure the customer satisfaction for the store service. The survey helped to understand customer opinion on staff working in the store, product availability and way for customer looking the product in the store.

RESULT AND DISCUSSION

The interview was held in IKEA store to discuss main logistics problem. The respondent was Mr. Mahmoud Sonbol was deputy logistics manager who explained common logistics problem faced the store and effect on logistics performance and customer's service satisfaction. The respondent had been classified the problem into internal and external problems. The external problem accrued which delayed in clearance procedures happened at the port. The external problems lead to increment of order cycle, lead time and stock availability. There was importance of increment resources in improving the store performance and customer satisfaction.

In Figure 1, 84% respondents were female and 16% respondents where male which female were satisfied from IKEA Jeddah branch service but none for male respondents which not satisfied with the service.
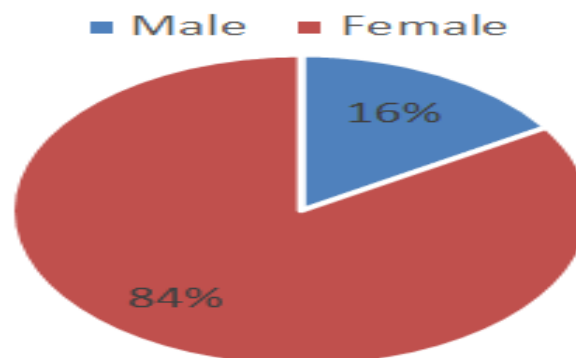
Figure 1: Respondent Distribution Based on Gender.

In Figure 2, 61% respondents were aged between 18 years and 25 years old and 18% respondents were aged between 26 years old and 35 years old. Meanwhile, 15% respondents were aged between 36 years old and 45 years old and 6% respondents were aged more than 50 years old.
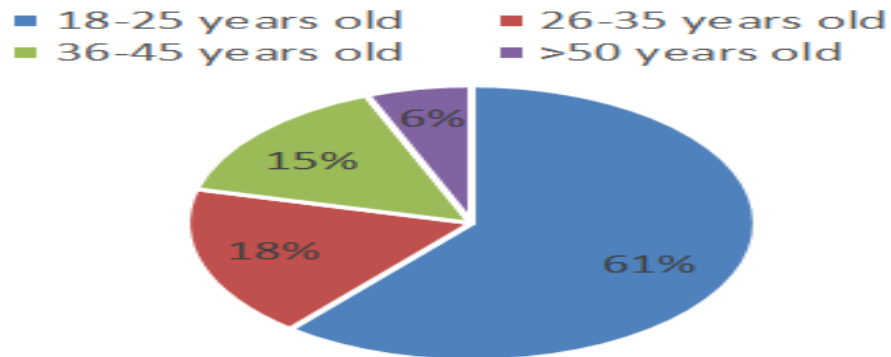

Figure 2: Respondent Distribution Based on Age.

In Figure 3, there were 75% respondents who completed college level and 12% respondents had master's degree. In additions, 5% respondents had PhD's degree and 7% respondents had completed their high school level.
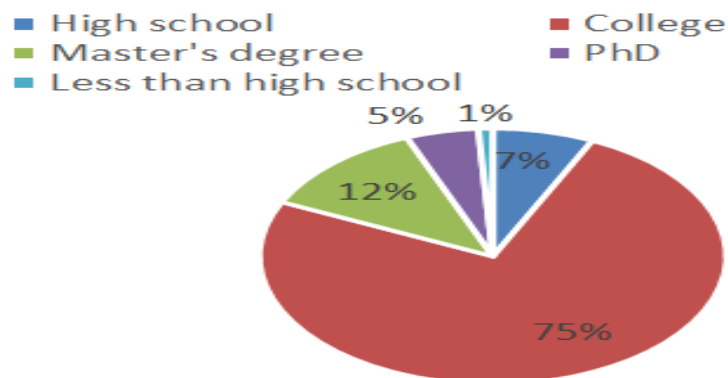
Figure 3: Respondent Distribution Based on Education Level.

In Figure 4, 61.8% respondents had earned income between 1000-5000SR and 15.46% respondents were earned income between 6000-10000SR. In additions, 9.28% respondents had earned 11000-15000SR and 10.31% respondents had earned income between 16000-20000SR. Meanwhile, 4.12% respondents had earned income more than 20000SR.
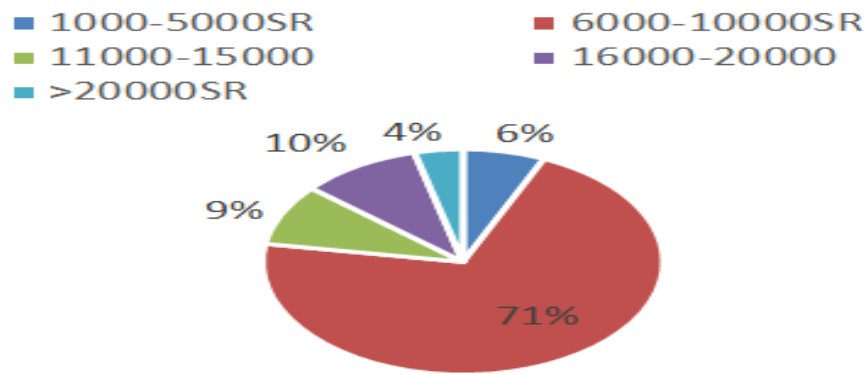
Figure 4: Respondent Distribution Based on Income.

In Figure 5, 76% respondents were agreed that IKEA staffs were helpful and kindness based on their experiences. Besides, the respondents also claimed the staffs had good attitude with customers but some respondents claimed that staffs only helpful during less customer in store. In additions, 24% respondents claimed bad experience at IKEA store and the respondents claimed staffs always unavailable and very difficult to deal with IKEA staffs. The lack of staffs in serves all customers during peak hours.
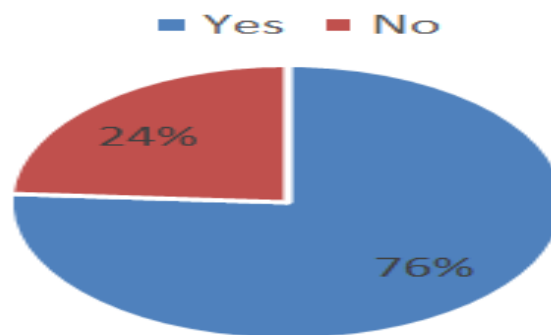
Figure 5: Classification of IKEA Staff's Attitude.

In Figure 6, 29.29% respondents were very satisfied with product availability since the respondents always found on need and 50.51% respondents were somehow satisfied with product availability since the respondents had found the product on certain times. Meanwhile, 16.16% respondents were neither satisfied nor dissatisfied since order cycle took longer time and some poor product quality and 4.04% respondents were very dissatisfied due to product out of stocks.
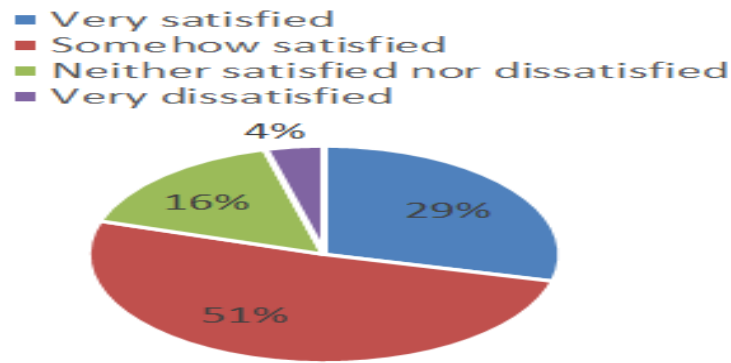
Figure 6: Respondent Classification on Product Availability.

In Figure 7, 80.41% respondents were believed that easily to find needed products since the respondents were familiar with the store direction and layout of the store was organized by rows and lines. Meanwhile, 19.59% respondents believed was not easy to find the items in the stores because the store arrangement was unorganized. Besides, there were no good trained employees to help the customers and respondents explained there was confusion due to lack of clear direction.
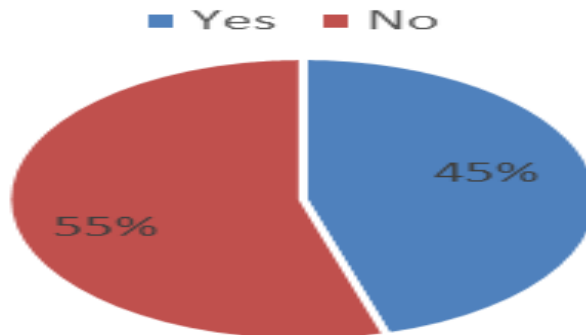

Figure 7: Respondent Opinion on Difficulty to Find The Product.

In Figure 8, 3.03% respondents felt the IKEA products are very expensive and 20.20% respondents felt IKEA products are expensive. Meanwhile, 70.71% respondents felt the products have average price and 6.06% respondents felt IKEA products were cheap. Most customers felt the price was on average level that meant IKEA products are affordable for majority respondents.
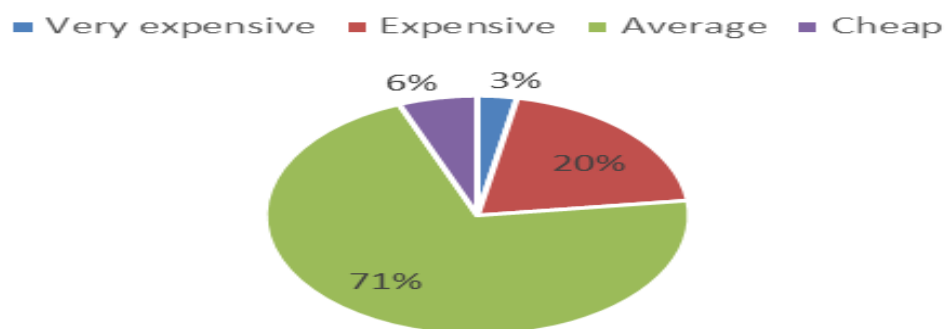
Figure 8: Respondent Opinion on IKEA Product Prices.

In Figure 9, 61% respondents felt that waiting time at cashier was too long. The queues line was long and crowded and the waiting time was more than 15 minutes. Lack of people to load the products and low number of cashiers slowed down the progress of checking out customers.
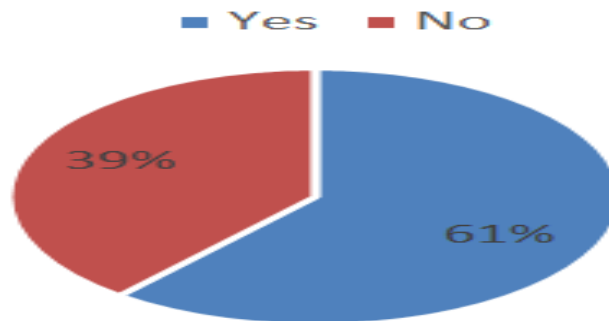
Figure 9: Respondent Opinion on Time Consumption at The Cashier.

In Figure 10, 61% respondents agreed want to visit IKEA due to there was product variety. Most respondents claimed that IKEA was their choices since the respondents were loyal customers. In addition, respondents preferred IKEA due to their creativity in furniture design and easy to find products. Meanwhile, 39% of the respondents did not preferred IKEA due to crowded store, lack of customer service and did not find the product that wanted.
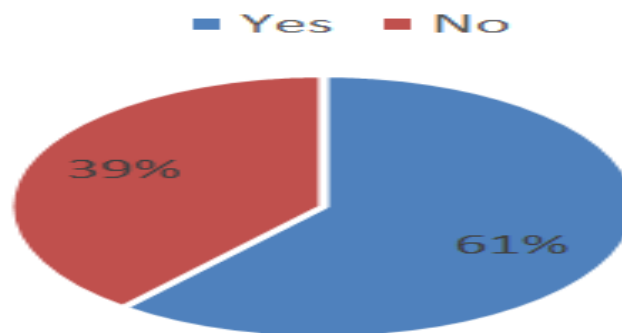
Figure 10: Respondent Opinion on IKEA Store Visit.

In Figure 11, service 1 was most important level since involved high product demand and top seller that was not performed in good way to reach stock availability target with 95%. There was increment by end of 2014 and decreased in 2015 due to news product in and end product out in this period.
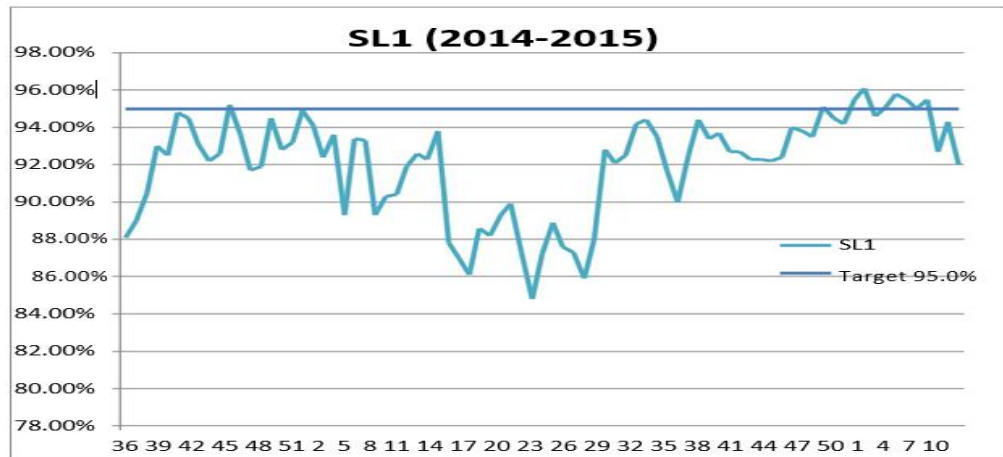
Figure 11: Service Level-1

In Figure 12, the service did not reach the target which was 90.5% and there was increased on last weeks of 2014 and first weeks of 2015 due to new and end products.
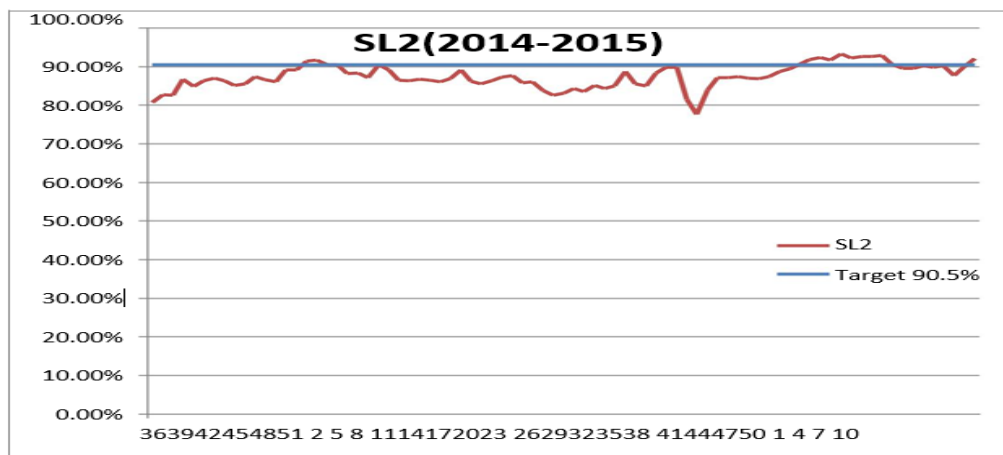

Figure 12: Service Level-2

In Figure 13, the performance level was better than service level-1 and service level-2 since this level reached the target requirement of this level which was 88.3%.
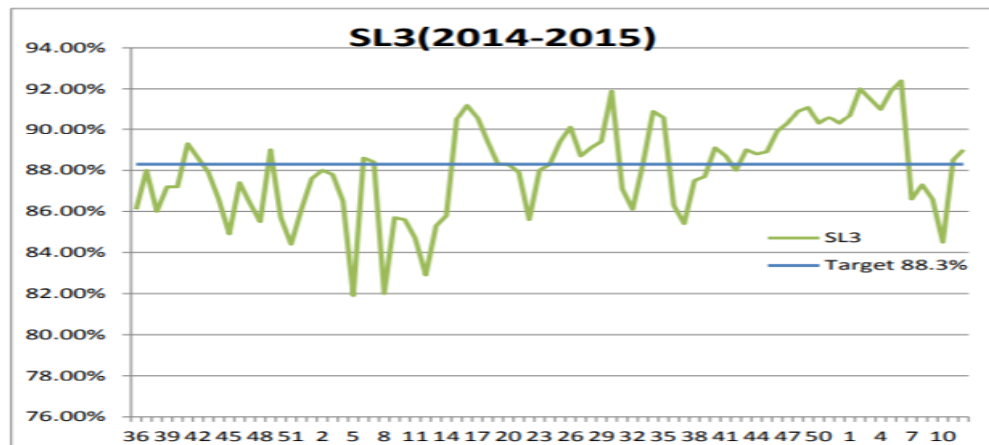
Figure 13: Service Level-3.

In Figure 14, service level-4 was best performance of all level since reached the target and above the target which was 84.6%. Service level 4 was less important than other service levels but can reach the target and meant less product demand from this category which stock are available.
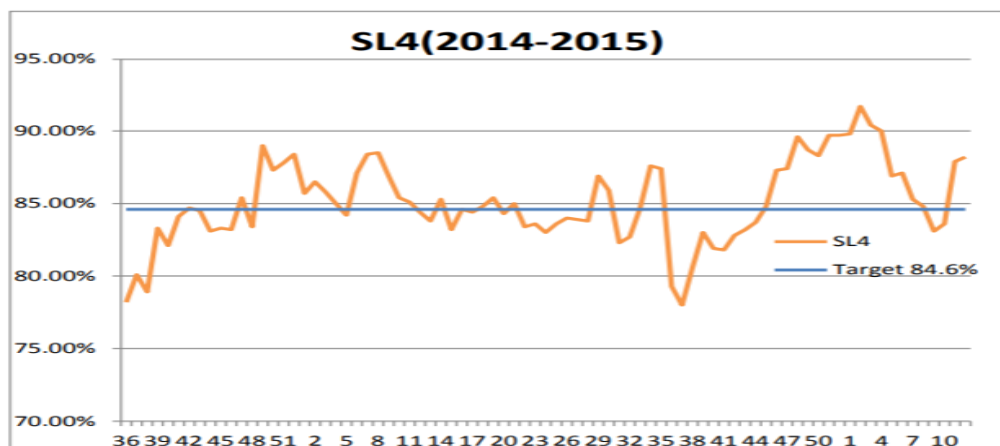

Figure 14: Service Level 4.

Figure 15 had described and compared between service level at IKEA Saudi Arabia branches at Dhahram, Jeddah and Riyadh. Jeddah-branch had less performance competed between other two branches which meant there was a problem at IKEA Jeddah that need to improve their performance to reach the target for each service level.
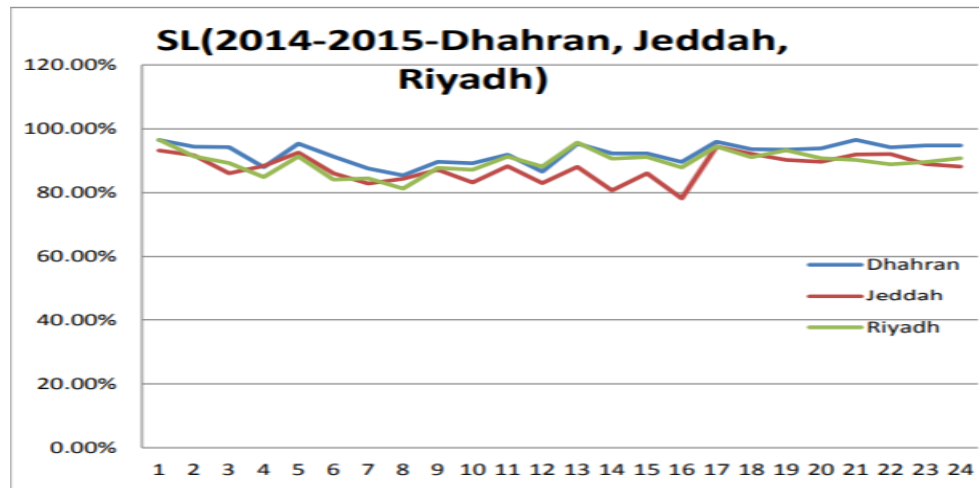
Figure 15: Comparison of Service Level In Kingdom Saudi Arabia Branches.

CONCLUSION

In conclusions, common logistics problems at IKEA Jeddah branch related to order cycle time, lead time and stock availability. These problems affected the logistics performance in the store that led to customer dissatisfaction. Customer satisfaction were affected by logistics problems and performance which customers waiting for long time to receive their order. Besides, customers were dissatisfied with stock availability, deal with IKEA staff and long waiting time for check out.

ACKNOWLEDGMENTS

The author would like to thank to all respondents and Effat University for unconditional support.

REFERENCES

Azmi, I., Hamid, N.A., Hussain, N., and Ibtishamiah, N. 2017. Logistics and supply chain management: the importance of integration for business processes. Journal of Emerging Economics and Islamic Research, 54, 4, 73-80.

Boiko, A., Shendryk, V., and Boiko, O. 2019. Information systems for supply chain management: uncertainties, risks and cyber security. Procedia Computer Science, 149, 2019, 65-70.

Lee, T., and Nam, H. 2016. An empirical study on the impact of individual and organizational supply chain orientation on supply chain management. The Asian Journal of Shipping and Logistics, 32, 4, 249-255.

Akdogan. A. A., and Demirtas, O. 2014. Managerial role in strategic supply chain management. Procedia Social and Behavioral Sciences, 150, 2014, 1020-1029.

Chin, T. A., Abdul Hamid, A. B., Rasli, A., and Baharun, R. 2012. Adoption of supply chain management in SMEs. Procedia Social and Behavioral Sciences, 65, 2012, 614-619.

Barros, A. P., Ishikiriyama, C. S., Peres, R. C., and Gomes, C. F. S. 2015. Processes and benefits of the application of information technology in

supply chain management: an analysis of the literature. Procedia Computer Science, 55, 2015, 698-705.

Kherbach, O., and Mocan, M.L. 2016. The importance of logistics and supply chain management in the enhancement of Romanian SMEs. Procedia Social and Behavioral Sciences, 221, 2016, 405-413.

Ceniga, P., and Sukalova, V. 2015. Future of logistics management in the process of globalization. Procedia Economics and Finance, 26, 2015, 160-166.

Erturgut, R. 2012. The future of supply chain and logistics management in the strategic organizations: contractor companies and new generation supplier. Procedia Social and Behavioral Science, 46, 2012, 4221-4225.

Pal, K. 2017. A semantic web service architecture for supply chain management. Procedia Computer Science, 109C, 2017, 999-1004.