

**IMPACT OF CUSTOMER SERVICE AND
POST-PURCHASE ACTIVITIES ON
ONLINE CUSTOMER SATISFACTION IN MALAYSIA**

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ABSTRACT

Currently, the e-commerce company that was based or has their operation in Malaysia like Lazada, Zalora, Shopee and 11Street, are partnering with third-party courier service and logistics company to provide the service of delivering the goods and items to the customers. This service delivery time is ranging from 24 hours, next day delivery to several days depending on the location of the receiver or buyer. After shoppers deciding to make the online purchase and proceed with the payment, what are the activities that really impacting the satisfaction of the online shoppers? Those activities are like Customer Service that handles all the queries and questions about the package, the package delivery itself, tracking of the package and to return back to the retailer if customers are not satisfied with the package. Customer satisfaction on online shopping usually depends on customers overall experience based on the websites, quality of the product, payment activities that are not related to post-purchase activities. In what way are these customer services and post-purchase activities contributing to the online shopping satisfaction among Malaysian Customers were still not clear. This study initiates an attempt to address this limitation by examining the impact of customer service and post-purchase logistic activities towards online shopping customer satisfaction in Malaysia. By using a structured questionnaire, the data for the study was collected from 190 respondents from Malaysia. The results of the analysis indicate that customer service and post-purchase logistic activities such as delivery and shipping, tracking and return are significantly associated with the online shopping customer satisfaction.

Keywords: customer satisfaction, delivery and shipping, customer service, tracking, return, online shopping, post-purchase logistic activity.

ABSTRAK

Pada masa kini, syarikat e-dagang yang mempunyai operasi di Malaysia seperti Lazada, Zalora, Shopee dan 11Street, berkolaborasi dengan pihak ketiga iaitu syarikat perkhidmatan kurier dan logistic bagi menyediakan perkhidmatan penghantaran barangan kepada pelanggan. Tempoh masa penghantaran adalah diantara 24 jam, penghantaran hari berikutnya hingga ke beberapa hari bergantung kepada lokasi penerima atau pembeli. Selepas pembeli membuat keputusan untuk membuat pembelian atas-talian dan membuat pembayaran, apakah aktiviti yang sebenarnya memberi impak kepada kepuasan pengguna atas-talian? Aktiviti tersebut adalah seperti perkhidmatan pelanggan yang menguruskan semua pertanyaan terhadap pakej, penghantaran pakej, pengesanan pakej dan pengembalian semua kepada penjual sekiranya pelanggan tidak berpuas hati dengan pakej tersebut. Kepuasan pelanggan atas-talian biasanya bergantung kepada pengalaman keseluruhan pelanggan terhadap laman web, kualiti produk, aktiviti pembayaran yang mana tidak berkaitan dengan aktiviti selepas jualan. Dalam cara apa perkhidmatan pelanggan dan aktiviti lepas jualan menyumbang kepada kepuasan pembelian atas talian di kalangan pelanggan di Malaysia adalah masih tidak jelas. Kajian ini cuba untuk memeriksa impak oleh perkhidmatan pelanggan dan aktiviti logistik selepas jualan terhadap kepuasan pelanggan atas-talian di Malaysia. Dengan menggunakan kajiselidik berstruktur, 190 data telah diterima dari responden di Malaysia. Hasil analisis menunjukkan perkhidmatan pelanggan dan aktiviti logistik selepas jualan seperti penghantaran, pengesanan dan pengembalian mempunyai kaitan ketara dengan kepuasan pelanggan atas-talian.

Kata kunci: kepuasan pelanggan, penghantaran dan kurier, perkhidmatan pelanggan, pengesanan, pengembalian, pembelian atas-talian, aktiviti logistic selepas jualan

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

The Internet has changed significantly the way we do business, whether it is to discover new business opportunities, gaining new clients, or operate a supply chain for companies. E-commerce is the mass market that allows companies selling goods and services worldwide to consumers. Malaysia trend of online shopping has seen an increase with data in 2018 showing that revenue for Malaysian online shopping is at USD3,904 million compared to the highest is from China at US740,422 million (Statistica, 2018). From the same source, the largest online shopping customer is between the ages of 25 and 34 (34.3%), that is the Gen Y user. With the trend increasing, the challenges that will be faced by e-commerce companies, retailers or manufacturers are to fulfil the orders through shipping by land, air or sea.

In any online shopping activities, product delivery of order fulfilment is the most important part of the supply chain, and it is becoming more noticeable to consumers (Cooke, 2004). Online seller's success is mostly determined by compliance and timely delivery of orders. It is also affected by other factors like home delivery, online payment easiness, clear

return procedures that associating with each other to make shopping online more accessible than physical stores (Torkzadeh & Dhillon, 2002). The convenience of online shopping is much better at the comfort of the customer's own home and purchasing products that are available online. In fact, customers are able to access e-shops 24/7, wherever Internet access is available, and on several device types. Customers can therefore simply compare products and prices and save a great deal of time. The advantages and convenience and of course time-saving benefits of online shopping; if opposed to mainstream shopping (Roberts et al., 2003) may not be realised if the last mile delivery is inefficient.

Before that, customers who wanted to buy a product will browse through the website that provides them with all amenities such as zoom-in the pictures, the detailed specification of the product and the price of it. Other than that, the website also states the delivery option, timing of the delivery and the delivery cost. All of this information was provided by the retailers to accommodate the role of physical inspection when shopping in the physical store. Customers then will make the purchase using the multiple payment methods that were provided like bank transfer, debit card, the credit card of payment using authorised financial exchange provider. After they have "Checkout" and made the payment, then only the product can be delivered to them.

Currently, e-commerce companies that were based or has their operation in Malaysia like Lazada, Zalora, Shopee and 11Street are partnering with third-party courier service and logistics firm to deliver the products and supplies to the buyers. Among them, only Lazada have their own delivery service called Lazada Express. Some of the couriers are Poslaju, Ta-Q-Bin, Nationwide, Citylink, GDex, ABX and Skynet. For an international courier company, there are DHL, UPS and FEDEX. This service delivery time ranges from 24 hours, next day shipping up to several days depending on the location of buyer's place. If the seller is an

International seller, it will take some time for the product to reach the customer. It also depends on the Malaysia Royal Custom clearance before delivered to the customer's doorstep.

Usually, the price for shipment is not included in the original stated price. The estimated delivery time will only appear when the customer picks their delivery location or insert their address on the website. The consumer must first pick the item that they wanted to buy and entered their location to get the delivery price. Then, only after the payment been made, the lead time will be calculated for shipment to be made as stated on the website. The standard delivery time for shipment varies from 2 days until 6 days for shipment from East or West peninsula Malaysia. If the shipment is from other countries, it can take up to 13 to 32 days for the item to arrive in Malaysia, clear Custom and then delivered to the customer (Lazada, 2019). The delivery charges vary depends on which delivery package the customer pick where the standard package is 4 to 7 days.

Usually, customers will be provided with a tracking number from the retailers. This number can be referred by customers to track where their shipment is. Shipment can vary from the seller's warehouse, the point of distribution, courier headquarters or in progress of sending it to the customer's address. Customers may also see the tracking in the retailer's website if the retailer provides it. This will also be a kind of attraction to the customers because it is much easier to track on the retailer's website and providing a secure feeling to the customers. Some seller also provides a tracking number by sending text messages or emails, in whichever method preferred by customers.

Product return is often guaranteed in any purchase transactions. Consumers need to be told of their refund privileges. Usually, the policy of returning a product will be stated clearly in any online shopping websites. Those policies will be in the main menu or section on the websites or even stated before the payment section. Some of the policy in returning a purchased product is, the case must be genuine and returned in a timely manner. Many retailers will state

a certain period of time to return the purchased product and the product that wanted to be returned must be in the same condition and some wanted in the same original packaging.

Several major retail websites like Apple, eBay and Amazon have a detailed and clear return and exchange policy. While IKEA's "*it's okay to change your mind*" statement is a policy that divides the in-store and online purchases. This emphasizes the general statement of post-purchase activity that return is becoming more important to customers. As long as the receipt is being kept by the customer as proof of purchase.

1.2 Problem statement

Consumers buy products online from the e-commerce website in the context of e-business and disregard the prospect of actual item review or communication with retailers. This what e-business is. Customers can buy and made payment from the other part of the world without boundaries; in the comfort of their own proximities. Yet, instead of going into places to search the items they need, the customers only need an internet connection and browse it online, made payment and wait for the delivery to happen. This raises the risk as consumers might not be happy with the products or services they offer, yet consumers would like it to be returned back. In such a situation, the post-purchase service strategy, in particular, the return process, ends up being a key market approach and can have a lasting impact on sales. (Mukhopadhyay & Setoputro, 2004). End-users have a variety of techniques to measure e-business success in deciding whether it should purchase the same product again. Therefore, execution has been driven by many variables to capture the attention of their desired customers.

Jain et al. (2017) proposed that availability timely delivery, quality and convenience of return, together with e-business efficiency, product quality and price, are related to e-commerce customer satisfaction and desire to repurchase. Nevertheless, Jain et al. (2017) evaluation

discovered that there are not many studies focusing on the relationship between after-sales activities and customer behavioural and attitudinal aspects.

In relation to e-commerce customer service, how critical after-sales practices like delivery, return, tracking are and how their nature remains uncertain. Online shoppers have made it clear that if there is no free shipping, they will reduce their orders. Tuttle (2011) said 78% of purchasers that decided to buy electronically, treated free shipping as "very important" or "somewhat important". Advance delivery and payment options, and also other factors are contributing to the growth and ability of e-commerce throughout history (eMarketer, 2016).

UPS and ComScore's study found that the key to customer satisfaction is free shipping and delivery. Still, habitually the customer is unwilling to pay the extra price for same-day delivery, even though it offers prompt satisfaction; companies should merge their supply chain and deliver their goods free of charge to local stores (Stevens, 2014). That is why it is fair that after-sales practices such as delivery and distribution should be among the most relevant online business practices.

It is predictable that the importance of post-purchase activities such as customer service, post-effective customer satisfaction and affective behaviour. (Santos & Boote, 2003; Tam, 2011). As per Rigopoulou et al. (2008), in the retail sector, policies that help consumers after purchasing are becoming increasingly important and play an important role in developing customer-seller relationships; they also found out that the company should pay more interest in improving the quality of service after purchase because of its importance to customer satisfaction and decision to repurchase.

There is still insufficient research on these activities and their influence on customer satisfaction. The source for reliable survey instrument and other theory-based empirical study are hard to find and scant in e-commerce research. For example, Green and colleagues (2008)

find that logistical efficiency and company output are not related. Ramanathan (2010) has observed that logistics efficiency and customer loyalty never had a strong relationship.

Thus, this work was aimed at evaluating the effects of post-purchase practices like customer service, delivery, tracking and return on customer satisfaction in Malaysia to fill the gap in knowledge in the e-commerce sector

1.3 Research Objective

This research attempts to define the global supply chain capacity factors, particularly in the post-purchase segment, which can impact the satisfaction of Malaysian online shopping customers. Specifically, this study's objectives are:

- a) To examine the extent the post-purchase factors' impact on online shopping satisfaction.
- b) To examine the relationship between post-purchase activities and customer satisfaction in Malaysia.
- c) To rank the post-purchase activities by order of importance to customer satisfaction.

1.4 Research Question

On the basis of the above objectives, we can establish an underlying research question as follows: "How could the e-retailer companies enhance their Malaysian customer experience through post-purchase activities?". The main research question can further be divided into several sub research questions, as follow:

- a) To what extent do the post-purchase activities impact online customer satisfaction in Malaysia?

- b) How do post-purchase activities contribute to customer's satisfaction in online shopping?**
- c) Which post-purchase activities are more important to online customer satisfaction in Malaysia?**

1.5 Significance of the Study

The findings of this study would continue to apply to the global supply and marketing chain in e-commerce. This study offers a further understanding of post-purchase activities by analyzing and integrating different features on the activities from the previous studies which could result in improvement of the creation of a better shopping experience for local online customers. Henceforward, this study will investigate which post-purchase activity is more important than another in the Malaysian's market current trend.

This study will also investigate acceptance and potential contribution to online shopping satisfaction among Malaysian online customers. The findings of this analysis from a practical perspective could facilitate businesses in designing and implementing strategies and making decisions based on the economic advantages of information sharing with supply chain partners, which could provide platforms and advantages for more effective management actions. This is essential, as the potential advantages of information sharing rely heavily on a range of factors. The results of this study can also be a guide to online retailers or e-retailers on how to further enhance the online shopping experience, especially for Malaysian customers.

1.6 Scope of Study

The research scope of this study is limited to online purchasing with emphasis on post-purchase services to the customers and it limitedly may be adapted into the traditional method of purchasing where physically at the brick-and-mortar and face-to-face customer services and products purchased was collected upon payment over the counter. This study will be focusing

on which post-purchase activities giving impact on customer satisfaction to online shopping and it should be also interesting to find out which activity is more important for locals after they have made their online purchase.



CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Buying online considered to be an emerging trend globally. With China and the United States leading the online purchase revenue in 2018, this means that the finishing and order fulfilment operations in the supply chain must be in order to make sure that the purchasing process can be completed. At about the same moment, most of the other items purchased online must be shipped to the customers. "The last mile" of online shopping is where products purchased in e-commerce are shipped home logistically. Last-mile distribution has been one of several businesses' main success factors and shortcomings and is becoming a major challenge for many companies.

Cooke (2004) says that the main characteristic that is becoming more important to customers in order fulfilment is product delivery. The ability to execute and generate timely orders might affect an e-business outcome. This involves several elements like the efficiency of payment online, home delivery and return processes which all combine to make shopping online more pleasant than conventional outlets. (Torkzadeh & Dhillon, 2002). The advantages

and convenience and of course time-saving online shopping advantages; compared to conventional shopping form, may not be realised if the last mile delivery is inefficient (Roberts et al., 2003).

E-retailers also intentionally employ their delivery selections offered to clients to maximise company profit (Yao & Zhang, 2012). U.S. customers' top promotions are related to free shipping or subsidized shipment, distribution within the expected time, shipping reliability and return facility. (ComScore, 2014).

2.2 Customer Experience and Satisfaction

Knowing the role of consumers was a key point for scholars who led to many articles and perspectives. The presence was described in the literature in three aspects, taking into account various epistemological and ontological roots: "*as a process, result or phenomena*". (Helkkula, 2011). Method-based understanding indicates the comprehension of a few elements and processes related to lifelong education. (Edvardsson et al., 2005). Understanding the foundation of customer experience could be a requirement for the fruitful improvement of administrations and situations; where the encounters are set up over the customers' reactions of different components and meetings. (Jaakkola et al., 2015).

Pine and Gilmore (1998) primarily focused on the value of interactions in modern society and the incentives for businesses to make strong and positive customer experiences. Schmitt (1999) stresses the importance of such an idea and insists on a wider view in which customer experience is comprehensive and encompasses all the perceptual, physical, relational, spiritual and emotional experiences to consumer contact with the community.

It is recognized by companies that the most important component is customer satisfaction because when the client is satisfied, they will bring benefit to business by becoming a repeat buyer (Sabir et al., 2014) Davis & Heineke (1998) says that the customer loyalty is

represented as a representation of customer satisfaction, hence, it'll be demonstrated through repeat appearance and loyalty could be a key determinant for organization to survive.

2.2.1 Online Shopping Satisfaction

E-commerce is all info, products and services activities that are purchased and sold through the web and online marketplace (Kalakota & Whinston, 1997). The customer always agreed that online shopping is an important portion of e-commerce. Customers made purchases from an online website for goods, details and resources like no other than a brick and mortar store or retailer. In an online shopping world, several researchers have investigated the aspects of customer satisfaction. These studies are linked to buying intention and buying decisions. They are including ease of use and convenience, customer service, security, e-service quality, fulfilment, usefulness and price, trust, and many other factors (Chen & Chang, 2003; Chiang & Dholakia, 2003; Park & Kim, 2003).

Liu et al. (2008) listed 8 factors that can impact satisfaction: information quality, website design, merchandise features, transaction ability, security/privacy, payment, delivery, and customer service.

In addition to differences in characteristics, online and offline retail stores have taken different measures. Loyalty is primarily measured by repeated patronage for offline retail stores (Sivadas & Baker-Prewitt, 2000). Whereas, additional instances of e-satisfaction is expected in the online environment (Szymanski & Hise, 2000). Park and Kim (2003) projected a detailed idea of "information satisfaction" hypothesized as "an emotional reaction to the experience provided by the overall information service"

From the study of Yingxia Cao et al., (2018) Indicates that in China or Taiwan, there is no connection between gender and customer satisfaction in online shopping, even though studies from Chauhan and Rambabu (2017) show that cultural/social, economic, and

demographic factors affect consumer behaviour in e-commerce. Based on this, our study will not take demographic characteristic to account or as any variable and only post-purchase activities variables will be analysed. Nevertheless, this study is to explain aspects that impacting the overall effect on customer satisfactory in online shopping, with its design to answer questions similar to the post-purchase function.

2.3 Post-Purchase Activities

Post-purchase service may be a phrase used to describe the services a business offers to consumers after the purchase of a product. (Vitasek, 2005). There are several processes that occur in purchasing that is pre-purchase and post-purchase that affecting the customer's satisfactory and one of the processes that are in light in this study. From previous research, practices helping consumers after purchase are becoming increasingly important in the retail sector and play a significant role in developing customer-seller relationships; they further suggested that the business pay closer attention on improving the quality of service after-sale because of its commitment to customer happiness in purchasing experience and they will be keen to buy again. (Rigopoulou et al., 2008).

Gensler et al., (2012) says that "pre-purchase", "purchase" and "post-purchase" are different phases that makeup purchase activity. The first step of the cycle is *pre-purchase*. It comprises features of brand engagement, features and pre-purchase environment (Lemon & Verhoef, 2016). Recent literature calls characteristic behaviour: identification of needs/objectives, analysis, desires and thoughts or perceptions (Puccinelli et al., 2009) showing the choices and expectations of the customer for a particular path (Keyser et al., 2015).

The cycle followed by *Purchase phase* that highlights all customer experiences during the purchase event with the product and the environment (Lemon & Verhoef, 2016). The third stage is the *post-purchase phase* that includes all customer experiences preceding the actual

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