

Importance in the Development of Logistics Operations in Start-up E- commerce Business

Case: iSi GmbH

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ABSTRACT

Globalization has brought a lot of challenges in today's business environment. Since the Industrial Revolution, the market has expanded rapidly, and in order to survive in the competitive market, the companies should gain greater competitive advantage. Furthermore, the era of the Internet brought online shopping to the consumers that leads to the online competitive market. And as a result, in order to gain the competitive advantage, companies should get a better customer satisfaction rate that will allow them to keep their customers and attract new ones. The aim of the study is to research the logistics operations and its role in the case company's performance. The main goal is to provide a development plan for the chosen case company so to improve their logistics activities in order to increase the customer satisfaction rate of the company.

The study utilizes a deductive research approach and uses qualitative as well as quantitative research methods. Secondary data for the research is gathered from literature and online sources. Meanwhile, primary data is gathered from an online survey and interviews of the employees of the case company.

The theoretical part of the research outlines the information about the basic concept of logistics and its operations, management of the logistics performance as well as distribution and warehouse stages of the logistics processes. Furthermore, as the aim of the study is to analyse how the logistics activities of the company affects customer satisfaction, the dependency of the logistics and customer service is presented. Also, theory regarding the concept of e-commerce and start-up is reviewed due to the size of the case company. Lastly, in order to achieve the final goal of the research, a development plan, the author uses the SWOT analysis to analyse the collected information of the company operations and the market it operates in.

The study results show that the logistics operations play a major role in the development of the B2C e-commerce start-up company as they affect customer satisfaction directly. The company should focus on improving the logistics operations in order to bring a reliable and safe delivery to the consumers and as a result increase customer satisfaction and company's performance.

Key words: logistics operations, logistics management, warehouse, distribution, e-commerce, start-up, development plan, customer service

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1 INTRODUCTION

This chapter provides information about the thesis framework. Firstly, it introduces the background of the research. Secondly, it shows the reader the thesis objectives, research questions and limitations of the study. After that, the following chapter outlines the theoretical framework and research methodology. In addition, the data collection methods are also presented and explained. The chapter is concluded by the detailed thesis structure.

1.1 Research Background

We are living in a fast-moving and changing world. New innovations and technologies are appearing every year in numerous quantity. With the Industrial Revolution and development of mass production, economies started to grow which resulted in expansion in consumption (Flacher 2007, 6-8). As a consequence, companies should have a competitive advantage against others to gain better customer satisfaction. Therefore, a lot of development programs and marketing strategies are created every year in order to have better revenue and better customer reviews. However, the question is what are the basic operations that leads a company to success?

Customer relations and logistics have always been the base for growing business-to-customer (B2C) companies. Customer relations are directly depended on customer satisfaction and how the customer perceives the company (Tao 2014, 258). In another words, customer service is communication between the seller and the buyer. However, before communication can happen, the company should have a good base and values of its operations. In most cases of B2C e-commerce companies, the biggest role in the company operations is the logistics operations which is seen as the “movement of goods from the manufacturer to the end customer” (Mentzer 2001).

Logistics as a process is not a new invention. The first logistics knowledge was used during the process of building the pyramids as movement of

stones from one desired place to another one. However, the actual meaning and importance of logistics has developed during the last decades. Companies now recognise the impact that logistics management has on achieving competitive advantage. (Christopher 2011, 1-2.)

The logistics service quality (LSQ) in B2C e-commerce is usually referred to the theory of rights: “the right amount of the product, at the right place, at the right time, in the right condition, at the right price, with the right information” (Mentzer 2001). For that reason, without the successful and well-going process of the logistics in e-commerce, customer satisfaction cannot be achieved. This is why the logistics operations in an e-commerce start-up is chosen as the topic for this study.

After obtaining the knowledge of logistics within B2C e-commerce start-up and dependency of logistics on customer satisfaction and decision making process, the aim of this study is also to conduct development plan for the chosen case company. The case-company iSi GmbH, is a German based e-commerce company that is operating in the French and British market and is selling high-quality German plumbing items. Being a B2C company, it is very important for the company to have good relations not only with its manufactures and suppliers, but also with the customers. iSi GmbH has operated in the French market for already three years and has just celebrated one year of working in the United Kingdom. With a rapid growth of sales, the logistics services need to be improved to increase company’s performance by better customer satisfaction and reviews. Therefore, there are two purposes to the study. Firstly, the initial aim is to find out where the problems are in the logistics sections. And secondly, the main aim is to help the case company increase their customer awareness and to gain better customer satisfaction by improving the logistics services of the company.

1.2 Thesis Objectives, Research Questions and Limitations

This study aims to conduct a deep research of logistics operations, its strengths and weaknesses on the example of the case company. In

addition, it also targets to find out the future possibilities and threats of logistics operations in the growing e-commerce start-up business and how customer satisfaction can be improved throughout the logistics. One of the main purposes is to develop suggestions and strategy on how to improve the logistics processes of the case-company in order to improve customer satisfaction and as a result the company's performance.

One of the most challenging and important steps when conducting a research is to settle a research question. The research question gives a better understanding about the research field and to which questions the study is meant to be answered. The research question should be clearly defined as it is a guide of the study. Thus, a good research question is relevant, clear and focused. (Duke 2014,1.) In this study, the research question is defined as the following:

How can a case company enhance customer satisfaction through logistics operations?

As a helpful tool for the main research question, the researcher also has defined sub-questions:

- What is the meaning of logistics in the business practice?
- What is a start-up e-commerce company?
- How dependent is customer satisfaction of the company on logistics operations?

Every study has limitations on what should be taken into consideration whilst conducting a research. The first limitation of the research is going to be the size of the company. As for the case company, the researcher takes an e-commerce start-up business, the whole study is based on the figures of a growing company. Therefore, the following research cannot be valid and reliable for big enterprises. Respectively, in regards to e-commerce, the author concentrates only on the business-to-consumer strategy. Another limitation that the researcher faces relates to the field of logistics. Due to logistics being a broad field of studies, for this study only relevant aspects of logistics are discussed and presented. In addition, the

theory about the logistics management tools is going to be reviewed as well. Nonetheless, this study aims to provide valid and reliable information for the case company and try to help determinate the problem in the logistics sector and as a consequence improve the logistics performance of the company.

1.3 Theoretical Framework

The purpose of the research is to help the case company to improve their logistics activities and as a result to increase customer satisfaction. The overview of logistics operations and strategies are presented. The researcher analyses the different stages of the logistics chain, such as distribution and warehouse performance. The following theory part gets the reader familiar with the concept of logistics and and the important stages of it that are important for this study.

As the chosen case company is a start-up e-commerce company, it is crucial to understand how to improve logistics operations in the growing business. Therefore, this study also presents theories about start-up and e-commerce practices in order to give the reader a better understanding about those business practices.

At the end of the research, the author proposes a development plan for the case company. The information that is presented is a result of the theoretical and empirical parts of thesis with the help of SWOT-analysis from the case company prospective.

1.4 Research Methodology and Data Collection

The selection of methodology and method for a research depends on the type of research question or the objective (Saunders 2009, 2-3). Before starting the research plan, the first thing that the author thinks about is the purpose of the research. The purpose of the research is divided into three categories: exploratory, descriptive and explanatory. Exploratory research is focused on literature search of conduction group interviews. It helps to

choose the right interviewees and to create a better understanding of what is happening (Robson 2002, 79). Descriptive research purpose involves describing the characteristics. On the opposite side, it helps to provide an accurate description of observation of a phenomenon. An explanatory research looks at explanations of the nature of certain relationships and provides information about the relationships that exist between variables.

Another issue that is important to understand is the research approaches. They can be either inductive or deductive. Deductive reasoning is the process of reasoning from one or more general statements to reach a logically certain conclusion (Laisi 2015). It links premises with conclusions. Inductive reasoning is reasoning in which the premises seek to supply strong evidence for the truth of the conclusion (Laisi 2015). Deductive research approach moves from general ideas/theories to specific particular situations and inductive research approach moves from particular situation to make or infer broad general ideas/theories. The main difference between those two approaches lie in data collection process. Deductive starts with theories and inductive begins with real-world data. In addition, inductive approach develops new knowledge for present theories, while the deductive one focuses on the topic from general to specific data (Brown and Eisenhardt 1997.)

After the researcher has decided which research approach is going to be used, the next stage is to decide the methodological options. The author has two methodological options to use: qualitative approach or quantitative approach. Qualitative research is used when the research is more focused on people and on quality rather than on numbers. It is usually the answer to the questions how, why and what (Laisi 2015). Interviewing, talking with people, surveys are very important in the qualitative research approach. Those method helps to understand the decisions that are made, why they are made and how they are made. Meanwhile, quantitative research is used when the research is focused on numbers and statistical analysis. The usual questions here to be asked are how many and how much. In addition, its usually answers to the questions how many and how much. Instead of talking with people, the quantitative research is more based on

statistical measurements meaning that a big group of people involved in it. (Keegan 2009, 11-14.)

However, nowadays it is more preferred when the researcher is using more than one method. That is called triangulation. Combining the qualitative research method and quantitative research is often used nowadays. It is not easy to combine the interviews approach with the quantitative survey but still possible. People are starting to use those because it gives better understanding of the topic and it is possible to look at different angles and have a fuller picture. There are four types of triangulation: “data triangulation, investigator triangulation, theoretical triangulation and methodological triangulation” (Denzin 1978). Moreover, if the researcher wants to make his/her research broader, method triangulation can be also classified into two types: within-method and between-method that means at first you use at least two data collection approaches and combining those, when at second, you employ directly two methods. Nevertheless, triangulation is not only a positive thing but also negative because it consumes a lot of time and creates difficulties of dealing with data.

Therefore, as the main aim of the following research is to find out how to improve the logistics operations in order to achieve better customer satisfaction, the qualitative research method is selected. However, in order to have a better understanding of the answers collected, the quantitative research method is chosen as well. This is why it is possible to say that the chosen research method is triangulation as both options are presented.

Last but not least, before choosing the data collection, there are different types of research strategies. The most popular research strategies are: action research, ethnographic research, grounded theory and case study. Action research is disciplined process of inquiry conducted by and for those taking the action. The primary reason for engaging in action research is to assist actor in improving and/or refining his or her actions. (Sagor 2000.) Ethnographic research aim is to observe target users in a

real time situation and to understand the situation from the inside. Grounded theory is a research method that will enable you to develop a theory which offers an explanation about the main concern of the population of your substantive area and how that concern is resolved or processed (Grounded Theory Online 2015). In addition, case study is one of the most popular research strategies that offers a possibility to study a particular subject. Consequently, in this research, the method of case-company has been presented as well.

After choosing the right methods of conducting the research, the researcher comes to the data collection. The data helps to the researcher to have a clear understanding about the topic that has been studied. There are different data collection methods in quantitative research method and in qualitative. Usually, interviews and focus groups are the most common methods of data collection used in qualitative research (Gill 2008). And such data collection as desk research, survey, observation, interview and Delphi technique are usually used in quantitative research.

As this study uses both qualitative and quantitative research methods, the following primary data collection options have been used. Firstly, in this research, the data was collected from the online survey that has been spread among e-commerce end customers. Also, another online survey was conducted among the interns at iSi GmbH. However, due to the response rate of web-surveys being from 10% to 95%, the author has used also other data collection methods (Laisi 2015). Secondly, the researcher has conducted interview with the head of logistics and importance of the development of the logistics operations. Lastly, the author of this research, has also used the desk research meaning observation and analyzing of company's internal databases, statistical databases, commercial databases and standard research products.

Despite the fact that the primary data collection is one of the most crucial and important steps in conducting the research, secondary data has been used and presented as well. The secondary data was collected from the

theoretical studies of the research, literature and article sources from the internet.

In Figure 1, the author has presented the research methodology and data collection methods of this study.

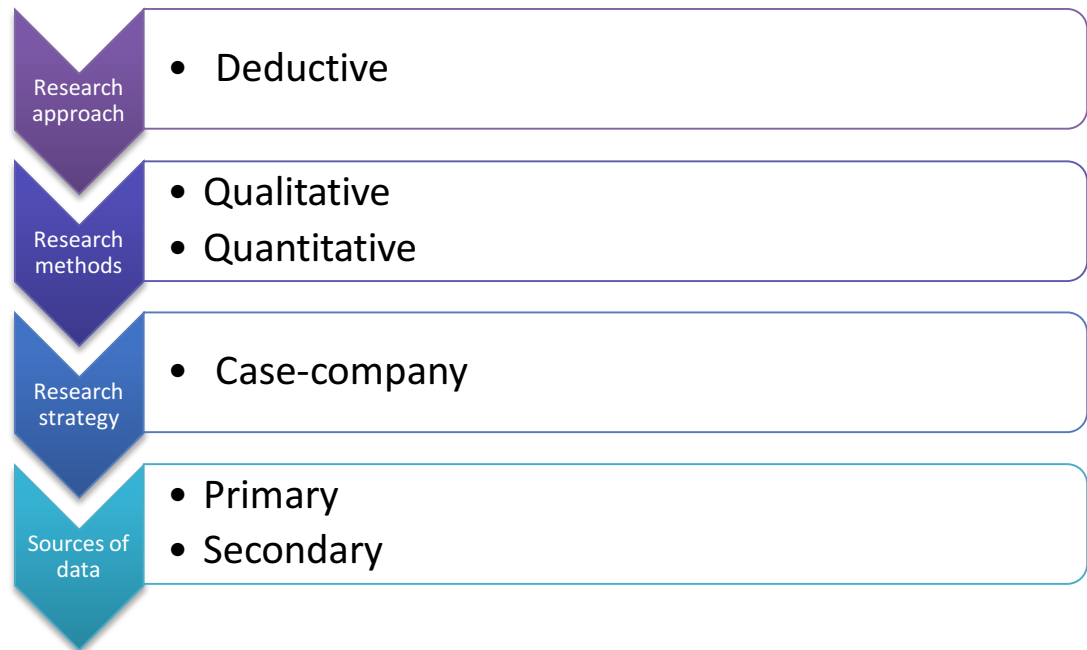


FIGURE 1. Research method

This study is going to be led by the deductive approaches and both, qualitative and quantitative methodology options are going to be presented. Furthermore, the research strategy that is chosen is the case study, so the case company at this certain study. Lastly, the data will be collected from primary and secondary sources as literature, surveys, interviews and statistical data from the company were used to collect the information to conduct this research.

1.5 Thesis structure

The last chapter of the introduction paragraph represents the structure of the thesis. The following study has actually three general parts: theory, empirical part and the results of the research. However, to give a better view to the reader about the research, the author has divided those three parts into different chapters. Therefore, the structure of the paper is presented in Figure 2.

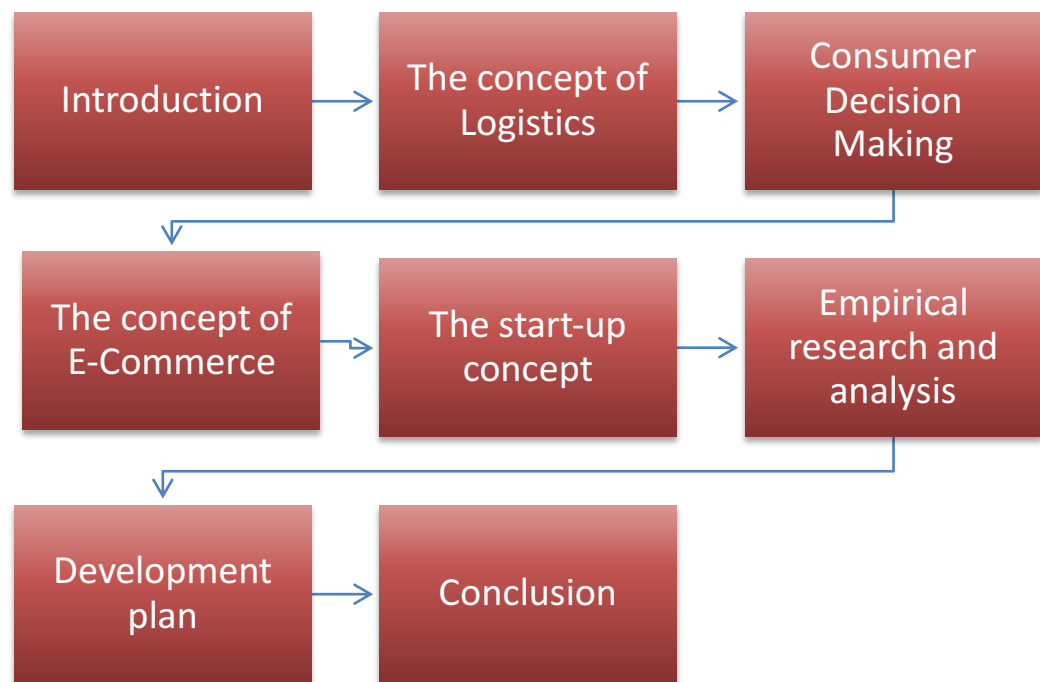


FIGURE 2. Thesis structure

As is presented in the Figure 2 above, the study starts with the introduction of the research. It gives the general idea and understanding of the research background, research objectives, questions, limitations as well as of the research methodology and data collection.

The second chapter introduces to the reader the concept of logistics. It starts from the general theory that is coming to the exact aspects of logistics that are used in the following research. After that, the author explains the basis of the consumer decision making and changes of the consumer decision making that are made due to internet consumption.

The fourth and the fifth chapter gives the reader an understanding of the start-up and e-commerce business as an essential part of this study.

After the theoretical part of this paper, the empirical part is presented. The chapter introduces the research methods that were used and the data collection process. In addition, the chapter ends by the analysis that the researcher has collected.

One of the last chapters is the development plan for the company. This is presented and explained by the researcher based on all collected information and the theory.

Lastly, the study finishes by summarizing all the relative aspects of the research and makes a conclusion.

2 THE CONCEPT OF LOGISTICS

This chapter gets the reader familiar with the concept of logistics, difference variations of logistics performance and its important aspects. Firstly, it introduces the general information and definition of logistics. Secondly, the researcher presents the theoretical information about the logistics management and performance. The fourth and the fifth part concentrate on the important stages of logistics, such as distribution and warehouse performance.

2.1 Definition of logistics

Due to the logistics itself being not a new process within business practices, there are a lot of different definitions of logistics. Some researchers assume it is to be part of the supply chain, and some identify logistics as the independent component of the company. Usaid Deliver project (2011) defines logistics as:

“...the operation component of the supply chain management, including quantification, procurement, inventory management transportation and fleet management, and data collection and reporting”.

However, as the supply chain management as a term has been created later than logistics, Heskett, Galskowsky & Ivie (1973) refers to logistics as

“...the management of all activities which facilitate movement and the co-ordination of supply and demand in the creation of time and place utility”. Meanwhile, Christopher (2011,2) says that logistics is *“the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory through the organisation and its marketing channels in such a way that current and future profitability are maximised through the cost-effective fulfilment of orders”.*

However, there is no “good” or “bad” definition of logistics. As in most cases, “logistics as a function of the company is always being diverse and dynamic” (Rushton, Croucher & Baker 2010, 1-2). Therefore, definition of logistics and its meaning is totally dependent on the company.

Nevertheless, it can be said that the logistics is the process of the management and movement of the information and good flow in the company that has the purpose of meeting customer needs. In addition, logistics as a component of the company goes along with customer satisfaction and customer requirements. As meeting the customers’ needs and improving customer satisfaction is totally dependent on the performance of logistics. Therefore, customer needs and satisfaction can be introduced as one of the logistics activities that will be discussed later in this study.

It is also very important to differentiate the functions of supply chain and logistics. In another words, supply chain is responsible for the suppliers, logistics and customers, whilst logistics is responsible for the materials management and distribution (Rushton, Croucher & Baker 2010, 3-4). Thus, on the Figure 3, the core structure of the logistics is presented:

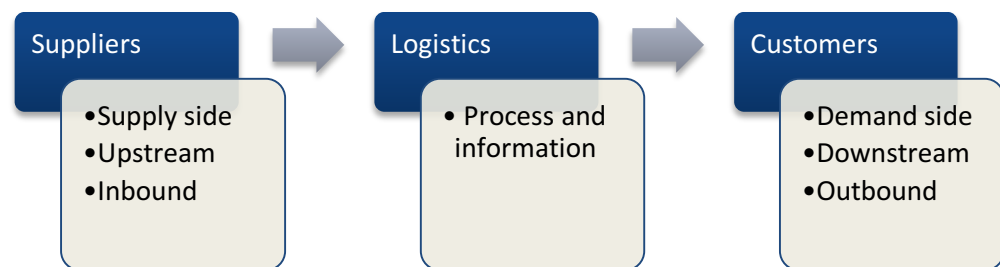


FIGURE 3. Flow representation of logistics (Rushton, Croucher & Baker, 2010, 5)

Figure 3 represents different flows throughout the logistics operations. It can be seen that on the supply side, inbound logistics is responsible for operations, whilst on the customers’ side, it is outbound logistics.

As it is being said before, there are also different types of logistics: inbound, outbound and in some cases inhouse logistics of the company. Inhouse logistics takes place inside the company or independent company

units. Depending at which stage of the logistics the goods are, the inbound or outbound logistics is going to be responsible for this. At most cases, the inbound logistics is responsible for everything that is coming to warehouse or happening inside of the warehouse, whilst outbound logistics is responsible for everything that is going away from the warehouse. However, here is the theoretical definition of the inbound and outbound logistics:

Inbound logistics – is the activities of receiving, storing, and disseminating incoming goods or material for use (Business Dictionary 2016a).

Outbound logistics – is the movement of material associated with storing, transporting, and distributing goods to its customers (Business Dictionary 2016b).

Even though, the term of the outbound and inbound logistics is not commonly used, it is very important to differentiate those both activities. In the case-company, the differentiation between those two activities are clearly presented in a way of the division of the task. Thus, one employee is responsible for the inbound logistics meaning for all good and items that are coming in warehouse and stored. Meanwhile, another employee is responsible for outbound logistics that include operations when the products have left the warehouse or have already reached the customer. It can be said that the general difference between those two is about the movement of goods. If the goods are moving to warehouse or stay inside of warehouse – it is inbound logistics and if the goods are moving from warehouse to the end customer – it is outbound logistics. In addition, in the high-developed and successful companies, those both logistics are going along with each other.

2.1.1 Objectives of logistics

After reviewing the general concept of logistics, it is essential to understand which objectives the logistics has. Generally speaking, there is one main objective of logistics that is to develop and maintain the logistics

operations in order to satisfy customer needs. Nonetheless, those objectives also have been divided into five main aspects (Chandrasekaran 2016):

1. Rapid Response

The following objective focuses on the customer satisfaction and customer service of the company. It concentrates on the firm's ability to respond within a shorter time frame. Due to information technology, organisations can postpone the logistics activities until the latest possible moment and then conduct the delivery of the required goods or inventory.

2. Minimum damage to the products

Nothing is insured. Therefore, sometimes the products can be damaged during the transportation or due to insufficient packaging. All those damages leads to the additional logistics costs that the organisations are trying to prevent. Thus, another logistic objective is to minimize the damages of the items by improving the equipment, technologies and having better packaging materials.

3. Reliability in the delivery performance

For the successful company, it is very important to deliver the goods on time to the customer. And as the result to achieve a better customer satisfaction that will bring more customers and revenue to the company. This can be done by better planning of the transportation modes with available inventory.

4. Economy of freight

One of the main issues in the logistics are costs. And freight is the major component of the logistics costs. Therefore, this can be reduced by selecting the right transportation mode and planning of the transportation itself.

5. Reduction of inventory

Last objective of the logistics is to reduce the costs of inventory. As inventory is the key factors that are affecting the profit of the organisation. Here the logistics aim is to maintain the inventory at the lowest level possible.

2.1.2 Logistics activities

Usually the logistics activities can be presented as core and supportive activities. The main difference between those two are that the core activities are more contribute to the total costs of logistics as they are important to the effective performance of the logistics tasks. (Ballou 2014, 2-3.)

Therefore, the core activities include the following functions: customer service as part of the marketing, transportation, inventory management and information flows. Meanwhile the support activities can be defined depending on the company. However, they include warehouse performance, materials handling, purchasing, protective packaging, and cooperation with production and information maintenance. (Ronald 2014, 3-4.) In respect of the case-company, the core activities consist of transportation, inventory management and information flows. Whilst, the warehouse performance, purchasing, packaging and information maintenance is the support activities.

To conclude, the management of the logistics activities are very vital if the organisation wants to operate successfully in the global market. Just as logistics activities are somehow the connection between production and market locations that are separated by time and distance (Ronald 2014, 5). Therefore, for the case company, management of the logistics operations and activities are taking the first place.

2.2 Logistics management

One of another important component of the successful company in regards of logistics is the logistics management. Even though, the management and planning processes are included into the definition of the logistics, the logistics management and performance is going to be reviewed separately in this study. The reason for this is that the researcher indicates this practise as the most important in the company's performance.

2.2.1 Definition of logistics management

According to the definition of the Council of Supply Management Professionals (2011), logistics management defines as:

“...the part of the supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services and related information between point of origin and the point of consumption in order to meet customers’ requirements”.

Furthermore, logistics management is an integrating function that coordinates and optimizes all logistics activities, as well as integrates logistics activities with other functions including marketing, sales manufacturing, finance, and information technology (CSCMP 2011).

In another words, logistics management aims to plan and maintain all the logistics activities in way of achieving desired levels of delivered service at the lowest cost possible. Thus, it is very important to indicate the connection between the market and the supply base that the company has. On Figure 4, the researcher illustrates the logistics management process in detail. (Christopher 2011, 11.) The whole process starts with the supplier or the manufacturer, and then goes throughout all logistics operations of the company such as procurement, operations, distributions and ends by the customer. It is also very essential to have a clear understanding of the direction of the material flow and information flow that is coming from the customer. Based on the Figure 4, it is easy to identify the key concepts of logistics management.

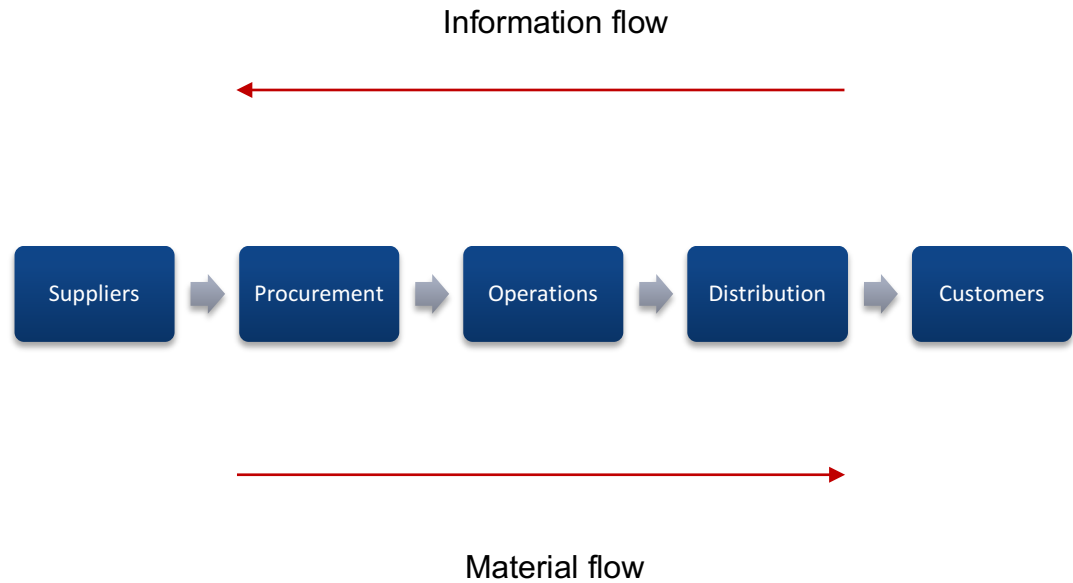


FIGURE 4. Logistics management process (Christopher, 2011, 11)

After reviewing both definitions of the logistics management and analysing the Figure, it is possible to say that the logistics management covers the organisation, from the management of raw materials through to the delivery of the final product (Christopher 2011, 11).

One of the main objective of the logistics management is to ensure that the logistics operations are relying on the theory of rights: the right amount of the product, at the right place, at the right time, in the right condition, at the right price, with the right information (Mentzer 2001). Consequently, the main aim of the logistics management is to create customer value at the lowest total costs (Bowesox & J 1996, 8).

Thus, it can be said that the logistics management is a connection between customer service and marketing. On one hand, logistics management goal is to identify the customer needs and as a result of the logistics services. On another hand, another aim of the logistics management is to choose the right transportation mode, as well as equipment selection and carrier routing. In addition, logistics performance is also responsible for the inventory management, meaning of stocking raw material and end goods and sales forecasting. (USAID 2011, 5-7.)

2.2.2 Importance of logistics management

Logistics performance and management has a significant influence on a company's performance. Therefore, it is very important to manage and plan it well beforehand (Tracey 2006, 1-2).

After reviewing the key factors of the logistics management, it is clearly visible how big influence it has on the operations of the company. Firstly, by maintaining LM, company can increase its revenue as will gain positive customer reviews and meeting the customer requirement. Secondly, by choosing the right transportation modes and tactical planning, it is also possible to improve operating costs and reduce overall transportation costs. Last but not least, by managing logistics activities and planning, one of the main factor is increasing, which is customer service. (Business Dictionary, 2016c).

In this study, the importance of the logistics management is going to be presented more in-depth as it is a very crucial part for the case company. Unfortunately, due to being a new company with rapid growth, the case company is not maintaining the logistics operations well enough to satisfy the needs of the customers. Therefore, the researcher assumes that the issue rises in the logistics management and planning.

To conclude the subchapter, it is essential to say that the logistics management standing together with all another management operations of the company and playing the key factor of the development of the company.

2.3 Distribution

The next subchapter represents the theory regarding one of the stage in logistics, distribution. As the case company is a retailer that has an intermediate position in the distribution channel, it is very important to understand the concept of distribution in a nutshell. Thus, this study

reviews the definition of distribution, online distribution channels, value of distribution and freight forwarders' activities.

Distribution is usually associated with marketing and 4P's analysis as a fourth component. However, in this study, distribution is going to be reviewed as part of logistics processes. Before understanding what a distribution channel is, it is essential to have an explanation what is a distribution itself. According to the definition, distribution is

"...the movement of goods and services from the source through a distribution channel, right up to the final customer, and the movement of payment in the opposite direction, right up to the original producer or supplier" (Business Dictionary 2016d).

Therefore, as the logistics is the management of the movement of goods, it can be said that distribution is a major part of it.

Generally speaking, distribution is the whole concept of movement of goods, whilst distribution channels are playing a major role. Distribution channel is "a chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer" (Investopedia 2016). From the definition, it can be said that the main objectives of distribution channels are, firstly, movement of goods itself meaning to make flow of goods or information from the manufacturer to the end customer. Another objective is availability of goods, as it is vital to the business to plan the distribution of goods to the different places. Thirdly, the distribution channel is also responsible for the protection of goods such as handling and packaging as well for the cost reduction for the effective distribution channel. Last but not least, distribution channel is also affect customer satisfaction. (Marketing Lord 2016.)

There are two types of the distribution channels, direct and indirect. The direct channel is from the manufacturer straight to the end customer, whilst indirect includes intermediates. The basic distribution model includes three levels such as producer, wholesale and the retailer (Jobber 1995, 682). Therefore, there are four alternative distribution channels that are presented on Figure 5.

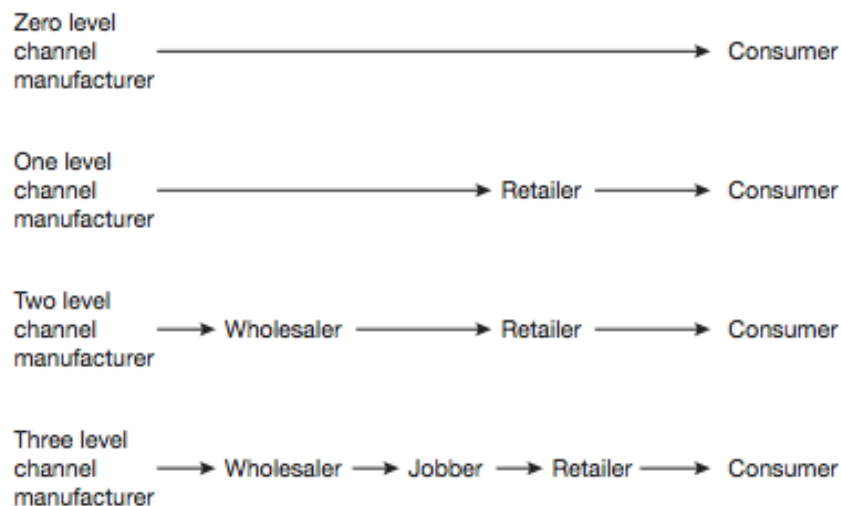


FIGURE 5. Distribution channels (Lancaster 2011, 193)

As can be seen on the Figure 5, there can be a possibility of four distribution channels. The first channel is from the manufacturer to the end consumer. The following channel is only beneficial for the manufacturers as they do not need to have additional costs on distributors. One of the example of such distribution channel is Avon cosmetics as they sell directly to the consumers. (Jobber 1995, 682.) The next channel includes manufacturer, retailer and the end consumer. One of the reason of manufacturer to add the retail can be the in growth of popularity of the goods in the retail sector. In addition, the consumers can view or try the supplied products that brings further customer satisfaction. (Jobber 1995, 682-684.) The third distribution channel goes from the manufacturer, then to the wholesaler, then to the retailer, and in the end of the consumer. At this channel, for the small retailers it much cheaper to use the wholesales.

The reason for that is that the wholesaler could buy big quantities of items and then sell it to different retailers. The only disadvantage of this channel is that the retailers could buy straight from the producer and not go through the wholesaler. (Jobber 2007, 684.) The last channel is commonly used when the company wants to enter the foreign markets. This channel includes the agent or the jobber that introduce the company to the foreign market (Jobber 2007, 685).

In relation of the distribution channels, the case company is introduced as the retailer and is a participant of the third distribution channel. As firstly, the manufacturer sends the product to the wholesaler and after that the wholesaler sells it to the case company that it can deliver it to the end consumers. In addition, case company sells goods to the international market meaning that for the manufacturer it also appears as the jobber or the agent.

Within each channel, all intermediates are connected between each other by three types of flows such as physical flow, title flow and information flow (Lancaster 2011, 194). The physical flow includes the movement of goods from raw material until the end consumer. Title flow is the passage of ownership from one channel to another. And the information flow is the flow that is influenced by advertising, sales promotions, PR and etc. (Lancaster 2011, 194.)

The flows between the producer and the wholesaler are very important in the real world and in the example of the case company. It includes physical possession, ownership, promotion, negotiation, financing, rising, ordering and payment (Lancaster 2011, 203). Without those marketing flows, the wholesaler and the manufacturer could not get along together and as a consequence, can not support the distribution channel.

2.3.1 Online distribution channels

Since the Internet area has come, a lot of changes happened in the consumer market. Online shopping started to be an essential part of daily

actions of consumer. Now, it is much easier to order something online that could be delivered to your door, then go to the store yourself. Thus, the popularity of e-commerce business has grown rapidly.

The aim of any website, or webpage or web store is to target the right goods for the right audience. However, in order to achieve the right audience and in the right amounts, changes in the traditional distributions are needed. (Jobber 2011.) Therefore, with the invention of the internet, wholesalers, retailers and producers can exchange the information through online channels that allows to reduce cost, save time and be more flexible in the market.

After going through the different sources in Internet, the researcher has come up with total overview of the different types of online distribution channels (EisaBaiNyo 2016):

1) Social networks

Social media now takes major role in everyday communication.

Therefore, big organizations have already understood the opportunities and the potential that social media and networks can bring to the company. In addition, if a company uses social network as one of the distribution channel, it reaches more audience and increases awareness of the website.

2) Blogs

Before appearing of the social media, blogs were taken the biggest part of the internet communication. It provides a relative data about one particular topic, or broad knowledge of the blogger.

Furthermore, one of the benefit of the blogging is the interact communication that is established by comments in the end of the post.

3) Widgets and gadgets

Benefit of using the following online distribution channel is that it delivers dynamic and update content to the end consumers at any time during the day.

4) Browser extensions

Browsers extensions, such as search engine optimization, add-ons and toolbars started to be popular especially among the e-commerce companies. The reason for that is that it increases the visibility of the webpage and gives easy access to the website.

5) Search engine optimization

Search engine optimization or SEO, how it usually calls in the companies, is one of the most effective distribution channels in order to bring the organic traffic to the website. Thus, mostly all grown companies are using SEO tools as well as the case company in order to have a better ranking in Google and have a better visibility of the website.

2.3.2 Values of distribution

Physical distribution is taking one of the major role in the development and progress of the company. According to the Lancaster (2011, 193-200), effective management of the physical distribution and logistics operations has a huge impact on a company performance, efficiency and effectiveness. If all those process are well planned and implement, the company will have a durable competitive advantage against others.

It is also very important not to forget that distribution is going along with the marketing mix as being a 4P in the 4P's analysis. Without the marketing aspect, the importance of the physical distribution can be defined as having the right quantity of an item, in the right place and at the right time (Lancaster 2011, 218). Thus, product availability, prompt delivery and efficient order processing helps to the company to keep its customers. Two important stages of physical distribution efforts are transportation as it allows goods to be available at the right place and ordering processing as it allows to the company to the delivery the right quantity of an item and at the right time (Lancaster 2011, 218).

Distribution does affect the performance and business operations of the company. It is being said that the right management of distribution cuts

down the costs and maximize the sales revenue of the company. In addition, it is also responsible for the place and time of the product being available to the end consumer. Last but not least, distribution can also affect market or production changes and helps company to be stable during this period of time. (Lancaster 2011, 218-227.)

2.3.3 Freight Forwarder

In all e-commerce business-to-customer companies, one of the major role of the logistics is delivery goods to the end consumer. Without a right documentation and enough resources for the delivery, businesses can have a big loss in their turnover. Therefore, it is starting to be rather common to select the services of the freight forwarders that are going to be responsible for the end delivery of the goods.

According to the definition, freight forwarder refers to:

“...the firm that is specializing in arranging storage and shipping of the goods on behalf of its shippers” (Business Dictionary 2016e). As the case company is focused on the delivery goods from Germany to the end customers in UK and France, it is very vital to them to choose the right international freight forwarder.

Freight forwarders provide full range of services that includes tracking inland transportation, preparation of the shipping and export documentation, warehousing, booking cargo services, freight charges, cargo insurance etc. (Business Dictionary 2016e). However, one of the primary aim of the freight forwarders is to help to the companies to transport their products.

One of the most famous international freight forwarder is DHL. DHL Express and Freight is a division of the German logistics company Deutsche Post DHL that provides international express mail services. As the market leaders, DHL offers professional and global express services as well as customized logistics solutions. (DHL 2016.) DHL also provides full range of the logistics services such as track & trace, insurance,

connection with the local distributors in the country. Therefore, the case company is currently in partnership both with DHL express by sending the packages to United Kingdom and France, and DHL freight by sending big items to the United Kingdom.

2.4 Warehouse

Warehousing is one of the important part of the logistics operations. It is responsible for storage goods of the company. According to the dictionary, warehouse a building, or a part of one, for the storage of goods (Dictionary 2016).

It is very important to understand why companies should use warehouse in their daily logistics performance. There are two primary needs of warehouse: better matching supply with the customer demand and to consolidate products. As the demand of the goods are changing rapidly all the time, it is one of the major challenge of logistics to manage those changes. Therefore, warehouse allows to respond quickly when demand are changing. Here, it is also vital to understand that response time can also vary depending on the transportation. The reason for it that the goods from the manufacturer could travel by any type of transportation and can perform the delays. (Bartholdi & Hackman 2011, 5.) Depending on the location of the warehouse, the lead time can vary, and closer the warehouse to the consumer, the better customer satisfaction is going to be achieve. All in all, “warehousing can increase the supply chain against all supply changes in demand by providing space that can slow or hold the inventory” (Bartholdi & Hackman 2011, 5).

Another reason for warehousing is to consolidate products. This helps to reduce transportation costs and increase the customer service and satisfaction.

There are also can be different types of warehouse, depending on the customers the company serves. The warehouse can be a retail distribution centre that supplies product to the retail stores. It also can be a service

parts distribution centres that hold spare parts for expensive capital equipment. Another type is e-commerce distribution centre and it's basically receives small orders from individuals. In contrary, there is a 3PL warehouse that outsource companies warehousing operations. And last but not least is a perishables warehouse that handle foods and fresh products. (Bartholdi & Hackman 2011, 8-9.) Thus, it is important to identify type of the warehouse that the company wants to use and this can be determined by three issues: inventory characteristics, throughput and service requirements, footprint of the building, and the cost of labour (Bartholdi & Hackman 2011, 9).

2.4.1 Warehouse performance

The warehouse streaming is also divided into inbound processes and outbound. The inbound includes "receiving and put-away, whilst outbound is responsible for order-picking, checking, packing and shipping" (Bartholdi & Hackman 2011, 23). On Figure 6, the main process of warehousing is presented.



FIGURE 6. Warehouse activities (Bartholdi & Hackman 2011, 24)

As it is presented on the Figure 6, the first step of the warehouse is receiving. Receiving of the goods usually notified by the manufacturer or supplier that the warehouse can schedule receipt and coordinate the warehouse performance effectively within another activities. The next stage is put-away that includes the determination of the appropriate storage location. Then, it goes the storage of goods and preparing for the order picking. The fourth step is one of the most important and called the order-picking. The warehouse at this point must produce pick list that will guide this process. At the end of this stage, warehouse must produce any necessary shipping documentation and schedule picking and shipping of

the goods. The stage after this is picking that is focused on choosing the right products that should be delivered to the right customers. After the products have been picked from the warehouse, it is time for packing and shipping goods to the end consumers. (Bartholdi & Hackman 2011, 24-29.)

3 DEPENDENCY OF LOGISTICS AND CUSTOMER SERVICE

One of the aim of logistics is not only to deliver goods but also meet customer needs. It can be said that the primary goal of logistics is simply to satisfy the end-consumer. Therefore, this chapter reviews the strong dependency between customer service and logistics within a company. The successful companies started to introduce internal service standards that each employee would have an idea of meeting the customer requirements. (Christopher 2011, 27.)

The chapter starts with the introduction of the logistics and marketing dependency. Next, it explains the meaning of customer service, and customer values and behavior. After that, this study introduces the out-of-stock impact and gets the reader familiar with online customers' decision making process. The chapter finishes by reviewing customer service needs and objectives, as well as service standards and quality.

3.1 Logistics and marketing influence

In many theories marketing is presented as management of the 4P's element such as product, price, promotion and place. Furthermore, the emphasis of this analysis has been always on three first elements. Delivering goods at the right place, at the right time, and to the right customer was not considered as something important before. Nonetheless, with the growing importance of logistics in the company's performance, it is started to be very crucial to consider also this part of the analysis. (Christopher 2011, 28.)

There are plenty of reasons for this change but mainly it is due to the competitive advantage of the companies. Before that, the competitive advantage could be established by branding, or innovation of the products, or even by new technologies. Meanwhile now, the customers would choose the company that has better customer service. Thus, the company, that better provides the customer service and satisfaction, would gain the competitive advantage.

The question now is: why the customer service started to be so important in the business practice. According to the book 'Logistics & Supply Chain Management' (Christopher 2011), there are two factors affected. The first factor is increasing customer expectations. Thus, the market and the customers became more demanding than before. And if to have a look to the industrial market, the buyer expects higher level of services provided by the seller. The second factor is decreasing of the branding policy. It means that competitors made so many innovations and so many brands, that it is hard to differentiate those for the average consumer. (Christopher 2011, 28.)

As a result, the consumers are now more influenced by three main factors: price, image and availability of the item. And availability is strongly dependably on the logistics as it is responsible for necessary items being in stock. Customers in every market and at each experience wants shorter lead time meaning that the logistics is very important at this point. Product availability will be more important than the brand or supplier status. It brings to the point that if the brand product is not in stock, the most probability is that the consumer will choose the substitute that is in stock.

3.2 Definition of customer service

There can be different definitions of the customer service depending from which perspective to look on. Edwards (2009, 13) identifies customer service as the sum total of what an organization does to meet customer expectations and produce customer satisfaction. In addition, she suggests that there are three different types of customer service such as before sale, during sale and after sale. Meanwhile, Christopher (2011, 31) assumes that "the main role of customer service is to provide time and place utility in the transfer of goods and services between buyer and seller." Furthermore, he examines three elements of customer service: pre-transaction elements, transaction elements and post-transaction elements.

Due to study being focused on the logistics operations, the author uses the definition that is provided by Christopher (2011, 31). Thus, the customer service perceives as providing time and place utility of transportation of goods and services between buyer and seller. The definition goes along with the term of availability of the product as there is no real value in product or service until it reaches the end consumer. Moreover, availability itself is a complex concept that includes different factors that together make customer service. In regards of the logistics, those factors determine by delivery frequency, reliability, stock levels and order cycles. (Christopher 2011, 31.)

As it is being said before, the customer service includes three elements such as pre-transaction elements, transaction elements and post-transaction elements and can be seen on Figure 7 below (LaLonde & Zinszer, 1976; Chistopher 2011, 32).

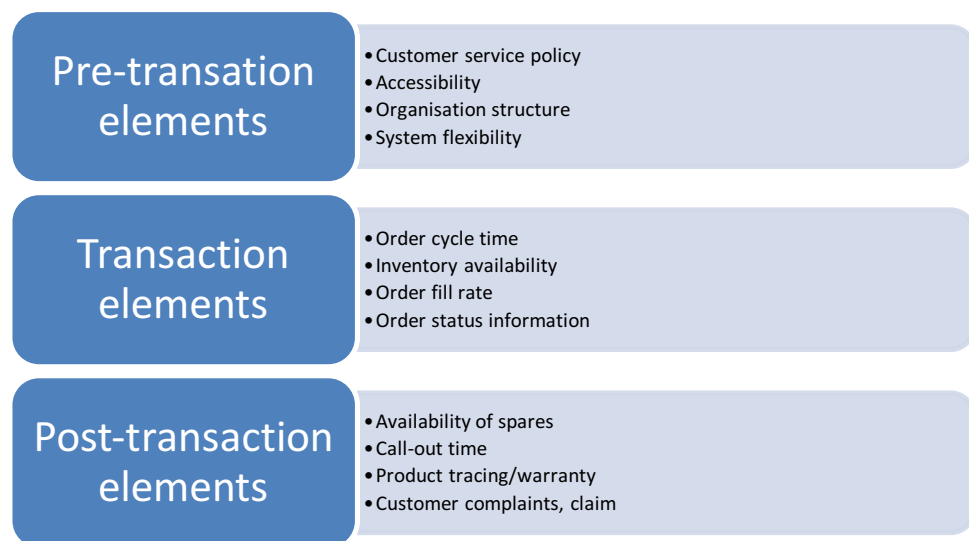


FIGURE 7. Components of customer service (LaLonde & Zinszer, 1976; Chistopher 2011, 32)

Figure 7 introduces, with the examples, the three main components of customer service within a company. First component is the pre-transaction elements and it usually includes everything regarding corporate policies or programs. The second component is transaction element. This element introduces all the customer service activities that are depended on the

logistics part of the company. These can be order cycle time, so what is the lead time from order to delivery, or inventory availability, what percentage of all orders do the company has in stock. In addition, this element also includes order fill rate and order status information. Last component is the post-transaction element and contains such aspects as availability of spares, call out time, product warranty and customer complains. In a way, those three elements can be also seen as the before sale, during sale, and after sale elements of the customer service. (Christopher 2011, 31-32.)

The importance of those three elements are always differ from company to company. The reason for it is the multivariate nature of customer service due to the different marker requirements. Thus, as a result, it is essential for any business to have strong policy towards the customer service as this service is playing the vital role in the company's marketing mix. (Christopher 2011, 32.)

3.2.1 Consumer behavior & values

This study introduces the importance of the customer service in the company. However, before the customer service, consumer behavior and values are taking place. According to the definition, consumer behavior is: *"...the decision-making process and physical activity that is involved acquiring, evaluating, using and disposing of goods and services"* (Khan 2006, 4). This definition gives the understanding that it not just the process of buying products but also the process that starts before the consumption of goods. The following process usually starts in the thoughts of consumers before buying and brings to finding the alternatives if the product they want is not available at the moment. Thus, it is important to understand the consumer behavior as it gives the explanation to the marketers if the process of delivering product was successful or not. (Khan 2006, 4.)

The success of any company can be identified by the level of the customer values that it delivers. Customer value is "the difference between the

perceived benefits that flow from a purchase or a relationship and the total costs incurred” (Christopher 2011, 29). In another words, it is perception of benefits divided on the total cost of ownership. Total cost of ownership, at this point, presents all the costs that the organization can have such as inventory costs, operating costs, management costs, training costs, disposal cost, maintenance costs, etc. Delivering the right customer value is the essential part of all businesses as it creates the competitive advantage. Thus, it can be said that those companies that has ratio of benefits to costs higher, will be more successful than their competitors. (Christopher 2011, 29-30.)

The logistics management has a huge influence on the company performance. Moreover, it also affects the customer value ratio. In this case, the customer value can be presented as quality multiple on service and divided by cost multiple on time (Johansson, McHugh & Pendlebury 1993; Christopher 2011, 30). Where is, quality is responsible for the functionality and performance of the offer. Service takes care about the availability and support that is provided to the consumer. Meanwhile, costs are the transaction costs. And time is responsible for the lead time of response to the customer requirements. All those four components are dependent on each other, and needs all the time improvement, innovation and investment to ensure the competitive advantage of the business. (Christopher 2011, 30.)

3.2.2 Out-of-stock influence

The availability of the desire product plays one of the significant role in the consumer decision making. If the goods are not in stock, most likely the customer will purchase the substitute that is available. Those actions can bring to the major loss in costs for the company. However, what is the real impact of out-of-stock situation?

One of the research claims that average supermarket faces stock-outs on 8% of items in the categories presented (Corsten & Gruen 2004). As a result, the consumer will probably buy the substitute different brand or shop at another store. Figure 8 below represents the consumer decisions on the out-of-stock situation at the store.

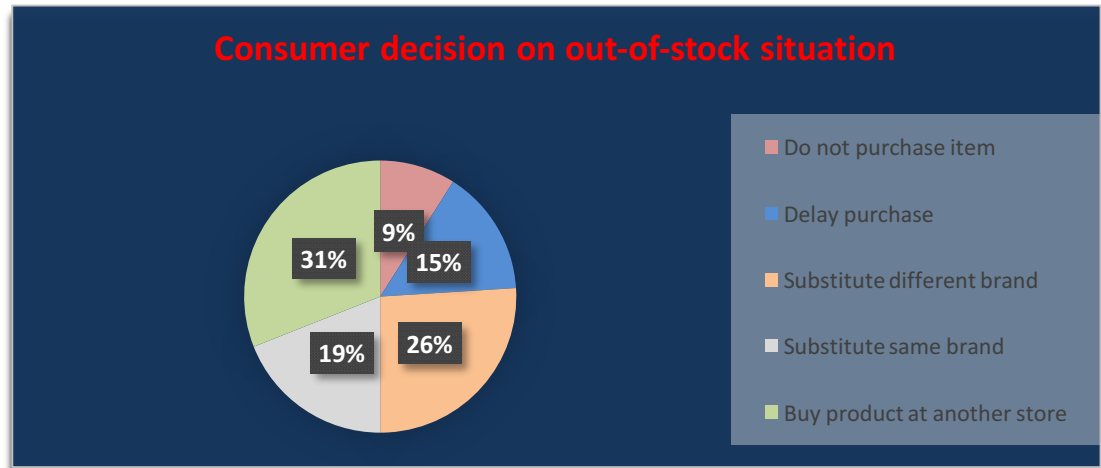


FIGURE 8. Consumer decision on out-of-stock situation (Corsten & Gruen 2004; Christopher 2011, 33)

Around 31% of customer would buy product at another store, meanwhile 26% of them, said that they would buy substitute different brand. And only 9% of consumers will not purchase an item, or 15% would make a delay purchase. The results of this research shows that the out-of-stock has the remarkable influence on the manufacturer and retail performance and costs as without purchase, they would not have any turnover. Other research found that “about two-thirds of consumer decision making are made during the purchase” (Bayle 2003, 51-56). This brings to the point that consumers come to the store not only with the prepared list of items, but they can also make a purchase based on what they see in the store. “Those both researches proves the significant loss that the retails and manufactures can have due to the out-of-stock situation” (Christopher 2011, 33).

More and more companies started to adopt just in time strategies that requires minimal inventory but higher levels of response from suppliers or

manufactures. The organizations want to have shorter delivery lead times and reliable delivery for its consumers. (Christopher 2011, 33-34.)

Beforehand, many companies have been focused on the traditional aspects of marketing such as product development, promotional activities and price competition. Thus, in order to make logistics effective, it is vital to understand the impact of out-of-stock situation and analyze it. Analyzing such problem will bring the company to the point of developing the strongest possible relations with intermediates. And this will reduce the out-of-stock situation and brings better customer satisfaction.

3.3 Service standards and quality

There can be different definitions of customer service quality depending on the content it used. Once defined service quality as “an assessment of how well a delivered service conforms to the client’s expectations” (Business Dictionary 2016f). Meanwhile, others defined service quality as a customer perception of how does a service meets or exceeds their expectations (Saghier & Nathan 2003a; Czepiel 2003b, 3). Nonetheless, the definitions can differ one from another, the meaning of customer service quality stays the same. One of the main aim of service quality is to meet customers’ expectations. Thus, there five main index of this quality: tangibles, reliability, responsiveness, assurance, and empathy. Tangible is responsible for the physical appearance, meanwhile reliability and responsiveness are responsible for the ability to perform the right service and willingness to help consumers. Last but not least two indexes are responsible for the knowledge of employees and their individual attention to its customers. (Saghier & Nathan 2003, 3.)

Customer service quality plays a big role in the experience of the consumer, it is also essential to set the customer service standards. The service standards usually appear at the point when the service performance is controlled.

As it is being discussed before, the customer service has different elements and above those elements the service standards should take place. However, it is important to remember that effective standards should be defined by the customers itself. Unfortunately, due to the broad nature of the customer behavior, it is possible to set the standards based only on some key areas within the company. And those are: order cycle time, stock availability, ordering convenience, frequency of delivery, delivery reliability, documentation quality, claims procedure, order completeness, technical support and order status information. All those areas should be set under the service standards in order to gain customer satisfaction and meet customer expectation accordingly. (Christopher 2011, 51.)

In ideal scenario, companies should establish standards and control the performance through customer service measures. In order to have an effective customer service and meet customer expectations, the standards should be set along three customer service elements. Main examples of standards that can be provided in each element is presented on Table 1. (Christopher 2011, 52-54.)

TABLE 1. Service standards through the customer service elements
(Christopher 2011, 54)

Service standards through the customer service elements		
Pre-transaction	Transaction	Post-Transaction
Stock availability	Order fill rate	First call fix rate
Target delivery dates	On-time delivery	Customer complaints
Response time	Shipment delays	Returns / Claims
	Product substitutions	Invoice errors

At pre-transaction stage, service standards of stock availability, target delivery dates and response time should be set. Whilst, at the transaction stage, standards such as order fill rate, on-time delivery, shipment delays and product substitutions should be reviewed. At last stage, it is important to set standards about the first call fix rate, customer complaints, returns and invoice errors.

All in all, customer service is one of the most crucial elements within the organization in the competitive environment. One of the main goals of this chapter was to prove that the quality of the customer service depends on many indicators but is closely united with the logistics management and operations. Consequently, the result of the logistics activities in the company is the customer service and customer satisfaction. (Christopher 2011, 27-54.)

4 THE CONCEPT OF E-COMMERCE

After reviewing the theory regarding logistics and dependency of logistics and customer service, it is essential to focus on the e-commerce study due to the nature of this thesis. This chapter is going to review the main aspects of e-commerce. Firstly, the definition of e-commerce is presented. After that, the differentiation between business-to-business (B2B) and business-to-consumer e-commerce (B2C) is also reviewed in this study. The author concludes the chapter by presenting the logistics services in e-commerce environment and how it is different from the logistics in traditional companies.

4.1 Definition of e-commerce

With invention of the Internet, a lot of things have changed in the world of consumers. Not only the consumer behaviour experienced changes but also companies itself. Year per year the market became more competitive, thus the organisations need to create a new unique value that they can offer for their end-customers. As a result of growing popularity of online market and social media, more and more e-commerce companies started to appear.

The term e-commerce comes from the electronic commerce. Generally speaking, according to Thurban (2011, 4) e-commerce refers to “...*the process of buying, selling, transferring, or exchanging products, service, and/or information via computer networks, including the Internet*”. From the business perspective, e-commerce is “the way of doing business electronically by completing business processes over electronic networks, thereby substituting information for physical business processes” (Weill & Vitale 2001, 13). In another way, it can be said that EC is way of doing business online or through online channels. There also can be different types of e-commerce such as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C), peer-to-peer (P2P) and mobile commerce. However, in this study, only two types of e-commerce

are discussed: business-to-business and business-to-customer as the most popular variations. (Thurban 2011, 17-19.)

E-commerce has significantly changed and challenged traditional business thinking as many companies needed to adapt to the new way of doing business. EC has several advantages of such type of business to the environment. As internet and social networks grows in popularity every year, EC gives benefits to everyone including customers and society. The benefits of e-commerce business can be divided into two main groups: benefits to organisations and benefits to consumers.

i. Benefits to Organisation

There could be several benefits of choosing e-commerce business instead of traditional. First is the global reach of e-commerce. Due to business being online, it has no borders meaning it can reach anyone at any place. Second benefit is cost reduction in all operations of the company such as information processing, storage and distribution. The next benefit is very important to this study and its supply chain improvement. E-commerce reduces the delays, inventories and costs. The forth benefit is related to the whole idea of online business. Online business cannot be closed during the weekends and night time, therefore, websites are working 24/7 that brings higher revenue to the company. Another benefit is the efficient procurement as it saves time and reduces costs by using the e-procurement. E-commerce also benefits to the customer service and relationships as allows to be up-to-date and have a direct interaction with the consumers.

ii. Benefits to Consumers

If the benefits to the organisation is clear, what is the benefit to consumers to buy online? First it is ubiquity. This term has been discussed before and it relates to the consumers having an ability to shop at any time at any place. The second benefit is that with no borders, the choice became bigger and more customized. In addition, it allows to the customers to shop at the lower price as they have a lot of comparisons online. Another important benefit is

information availability meaning that it is easy to find what the consumer wants with the specific information. Last but not least benefit is the delivery of the goods as the delivery is happening to the door of the consumer. It makes online shopping very comfortable to the individuals. (Thurban 2011, 25.)

4.2 Business to Business E-commerce

There can be different types of e-commerce in the business practice. However, in this study B2B and B2C e-commerce is presented. As it has been discussed before, electronic commerce is the process of buying and selling goods through Internet. This process can happen not only between the companies and consumers but also between companies and companies. Therefore, the business-to-business e-commerce can be defined as process of selling or buying goods through Internet that involves business corporations. It has two main aspects that differs it from the traditional business to customer practice. First it is flexibility in pricing. And second one is the integration of the business systems. Integration of the business systems means that companies are trying to increase both productivity by integration of their internal systems. (The Business Link 2008.)

The usual goods in B2B EC market are electronics, utilities, shipping and warehousing, paper and office products, food and agriculture.

Respectively, it can be said that B2B EC is the electronic support of business transactions between different organisations that allows to form electronic relations with their own distributors, suppliers, others partners. (Turban 2000, 199; Groblinghoff 2011.) That is also important to notice that B2B e-commerce does not only involve transactions through Internet but also the exchange of information before and after the transaction is completed (Groblinghoff 2011, 5). In addition, according to the statistics, B2B e-commerce sales almost double the sales of B2C e-commerce (E-commerce and B2B 2016).

4.3 Business to Consumer E-Commerce

Business to consumer e-commerce is one of the most popular type of e-commerce. Nonetheless, according to the statistics, B2B EC has double more sales. Consequently, B2B EC refers to the online transactions between two firms, B2C refers to the online transaction between organisation and end-consumer. One of the main difference in those two types is the end player of the process. Thus, it can be said that B2C – is “online businesses selling to individuals” (Thurban 2011, 17). Those e-commerce aims to reach individual through the online channels.

Usually, B2C EC is presented in a way of the website, or online shop. Here, the end consumers can have a look on products that they need and then add it to the shopping cart. The main difference between traditional B2C and EC B2C is that everything is happening through Internet, and the consumer does not have interaction with the real people. Therefore, such aspects as customers’ reviews, availability of the products has a big influence on the customer decision and satisfaction. One of the good example of B2C e-commerce is Amazon.com. (Zeepedia 2016.) Furthermore, the chosen case company is B2C e-commerce that specialise on selling plumbing goods to the individuals. Thus, the following data collection and data analysis will introduce how the logistics operations are important in such kind of businesses.

4.4 Logistics in e-commerce

E-commerce is a new type of business practise that it is involves purchases via Internet. This type of business has brought a lot of challenges in the already existing market. One of the main aspect that has changed with the growth of e-commerce is physical distribution of goods. Using electronic devices to share the information, it brings the demand for three distinct types of facilities: e-fulfilment centres, parcel hubs and parcel delivery centres. And as a result, it will drive huge changes in the distribution networks. (Jones Lang LaSalle 2013, 9-16).

Even though e-commerce is something new to the world, the basic logistics operations are staying the same within such types of businesses. As it is being already said, e-commerce will have a huge impact on the distribution channels and its processes. It will influence on this in a way of shipment management, multi-modal distribution, monitoring routes and timing as well as management of transit and receiving shipments. Warehouse performance will also be different in the electronic commerce as it will imply warehouse management system (WMS). WMS will allow easier tracking of items within the warehouse and quickly preparation of the existing orders. (Lekovic 2013, 91.) In regards of the inventory, it is also going to be managed by the electronic services. In EC, it is also would be essential to provide shipment tracking and recognition to all parties involved to purchasing process. (Lekovic 2013, 91.)

All process in EC practise is trying to be atomized by using electronic services. Therefore, as a very first stage of purchase is order collection, it is also collected electronically from customers on the website and then transferred to next stage. (Lekovic 2013, 91.) After the order is placed, the next stage is neither warehousing if the item is in stock, or distribution. Distribution of products in e-commerce is different depending on the type of the product that the company is providing. Some of the products requires the physical distribution, such as books, and some not, such as digital products. In relation of the case company, it is required the physical distribution and this is happening thought the delivery services that brings the goods directly to the home address. Last significant part of the logistics in e-commerce is packaging of goods. As in EC goods are bought online, consumers do not have an opportunity to touch it before. This is why, for the B2C EC companies it is very important to deliver goods in the good conditions. Packaging during the shipping has three main aspects: protection, presentation as giving the first impressing of the product, and the cost of packaging that influences on the type of transportation (Lekovic 2012a, 92; Hyde 2012b).

All in all, the traditional logistics is changing in relations of e-commerce businesses. Logistics management and, as result logistics systems, needs

to provide and maintain the right value for the end consumers that they would rather purchase online than in the traditional way. It is also crucial to remember that when the consumers buy online, they expect fast and reliable delivery. And those two aspects are totally dependent on the logistics operations within the company.

5 THE START-UP CONCEPT

The goal of this chapter is to outline the general information regarding start-up and problems that it may face. In addition, this chapter also includes the introduction to the case company. Firstly, the study presents the definition of the start-up itself and what is included in the definition. Secondly, the authors go through the issues that start-ups can face during their development. The chapter concludes by presenting the information about the case company.

5.1 Definition of start-up

Industrial revolution brought the mass consumption to the world. And mass consumption as result brought new inventions. The reason for that is that after the big growth in mass production, consumers started to focus more on the quality and uniqueness of the product than on the quantity. Another reason for the start-up companies is that customer needs have increased significantly, thus new services and products started to appear. According to the definition, a start-up is a “human institution designed to create a new product or service under conditions of extreme uncertainty” (Ries 2011, 37). In order to understand the whole concept of start-up, it is important to take a look on each part of its definition. Firstly, there is a myth, that start-up can be only small sized company. That is not true, as the meaning of start-up has nothing about the size or the industry. Any company that has created a new product or business under extreme conditions is going to be called start-up. Secondly, the definition of start-up claims that it is a human institution. Considering this, start-up companies is not only about invention, the product, or the idea. It is more about sum of those parts that create a human enterprise. And this human enterprise includes different activities such as hiring creative workers, managing those activities and by that make a company culture that brings the results. (Ries 2011, 37.) Another important part of the definition is that start-ups is a creation of product or service under extreme conditions. This is where the process of invention is happening. Therefore, just new opened business with already

existing business model, pricing, target audience, and products, cannot call start-up.

5.2 Issues in start-up companies

According to statistics, 9 out of 10 start-up companies will fail (Forbes 2016). There are plenty of reason for such results, such as product can be not suitable for the market, the founders are too optimistic about their company, etc. However, one of the issue that lays down directly in the definition of start-up is that it is created under the conditions of extreme uncertainty. This brings to the point that it is very hard to predict which issues can arise during the development process of the company. Nonetheless, as this study is focused on the performance of the e-commerce start-up, the researcher has found problems that the company may face, or facing it is already. (Self Growth 2016 & Practical E-commerce 2016.)

a. Attracting customers to e-commerce website

First issue that the e-commerce start-up can face is getting customers to its webpage. As it is a virtual store, the consumer cannot walk and step by your store. Moreover, the success of the brand or the e-commerce site is depended on the amount of visitors and amount of the transactions per day. Therefore, it is essential to have a good ranking in Google search that the page will be higher in search. One of the most effective way of increasing the ranking of the site is search engine optimization. Nonetheless, when the start-up has a stable turnover, it is also crucial to prepare the good marketing and advertisement plan.

b. Reliable logistics and supply chain management

One of the biggest damage of the reputation of the website can be not-reliable delivery time to consumers. If the company fails to deliver the goods at the promised time, it leads to the trust deficit from the customers. In addition, the reverse logistics should be also arranged in organized way if the customer does not want a product

or it's faulty. The reliable delivery time is important for the e-commerce B2C companies as well because it is easier to maintain the existing customers than find a new one.

c. Customer service

Another important aspect that start-ups faces is good customer service. Depending on the customer service and how the employees perceive the customers, the success of the organization is determined. Customers would like to have a good communication with e-commerce stores that they could rely on. Therefore, another challenge is to find good customer support. (SelfGrowth 2016.)

d. Competition on price and shipping

Through the last past years, the amount of e-commerce companies has grown significantly. Therefore, for start-ups it become a bigger challenge to meet the price requirement of the customers and also be competitive advance. In addition, due to the globalization, more and more webstores ship worldwide. Furthermore, in relations of shipping, the consumers would like to have a reliable estimated delivery time. And here is the challenge to choose the right freight forwarder at suitable prices, to have developed distribution channels and manage the performance of the warehouse.

e. Competition against manufactures

Another issue for the B2C e-commerce is that with growing usage of Internet, even the manufactures now can sell direct to the end consumers. Thus, the companies should offer some better prices than the manufactures does on their sites.

f. Unique content

The content of the webstore also plays a big role in the development of the company. Firstly, it is also due to the Google traffic and search engine optimization. Secondly, more the page is attractive, more likely the consumer will choose this store instead of the competitors. (Practical E-commerce 2016.)

5.3 Introduction to the case company

iSi GmbH is a German online retailer that was established in 2012 and specializes in the sanitary field that is offering a wide range of high quality bathroom and kitchen products at very competitive prices. iSi GmbH operates in a B2C environment and distributes its goods to the British and French markets.

At the time of establishing the company, there were only three employees that were responsible for marketing, communication with customers, and distribution of goods. Furthermore, in the beginning the company was only oriented on the French market and launched the French website: isi-sanitaire.fr. As a starting point, the company had around 2,000 products on its website. With the growth of the company, in 2013, iSi started to ship to Belgium, hire more employees and add around 1,000 products.

In the middle of 2015, the company decided to launch the second website that will be oriented on the British market as German plumbing goods are quite popular in the UK. By this time, iSi had around seven employees and already 5,000 products online on both websites. By now, since the beginning of 2016, the company has hit 10,700 orders with 9 to 11 employees and 7,000 products online.

According to the statistics of the company, the sales of the company for 2016 started from 240,000€ and have grown significantly until June 2016. June 2016 is counted as the most successful month during the whole year. Nonetheless, the sales have dropped and seem to be stable for the rest of the months. The reason for that could be the unreliable delivery time of products but will be analyzed later in this study.

The main mission of the company is to sell high quality German products at a price that anyone can afford. "Being close to our customers is paramount, meeting your expectations, and answering any concerns" is the vision of the business. It is very important for the company to be close to the customers and meet their expectations in a way of durable products and reliable delivery time. Furthermore, beforehand the content

of both websites were focused on the quantity by adding as much products as possible. Meanwhile, now it is important to the company to focus on the quality of the content and create a pleasant user experience.

Being a start-up, the iSi GmbH has a quite clear business model and it's presented on the Figure 9 below.

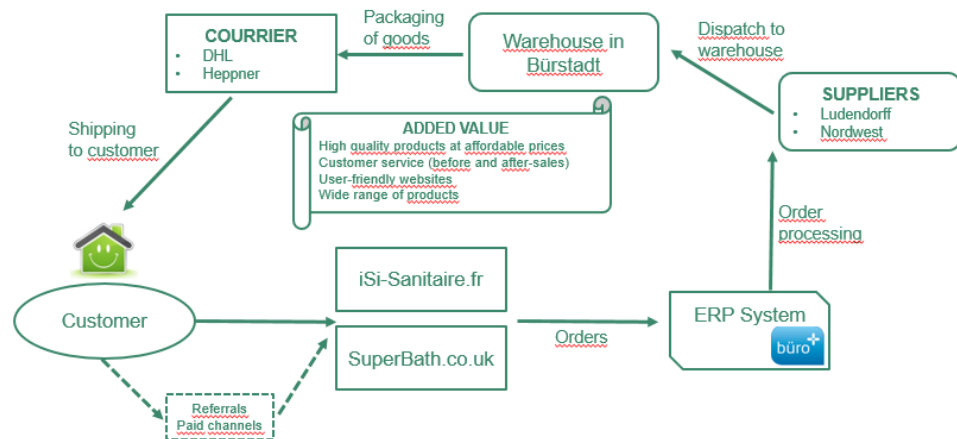


FIGURE 9. Business Model of iSi GmbH

First, the customer got to the website and proceed with the items that they would like to purchase. After making an order online, it transfers to the company ERP system. When the order has appeared in the system, it is ordered by the ordering team from the suppliers and manufactures. The next step is to dispatch desire goods to the warehouse. When the goods arrive to the warehouse, the warehouse team is booking it in that it can be shown in the system as in stock. As soon as the whole order is ready, the warehouse started to pack goods and hand it in to the courier organization. Once the order has been given to the freight forwarders, it takes 3-5 working days to be delivered to the end customers.

Furthermore, with the growth of the company, the team has grown as well. If before, the structure of the company has not been visible enough, now everyone knows who is taking care of what. There are three main departments: customer service, content management and logistics.

Customer service is responsible for communication with customers whenever they need help. It is important to the company to create a good connection between the website and the customers. The main goal is to make customers feel as they can get in touch whenever they have a problem. Content department is responsible for finding and adding new items to the website. Also, they are trying to make a unique content that it creates better user experience. And last department is logistics that is responsible for all the rest operations of the company.

To conclude, the sales of the company has grown significantly as well as the company itself. As a result, each part of the company should be developed accordingly. In addition, as it is presented in the business model, main part of the operations of the company is logistics. The reason for it is that logistics department is responsible for ordering the goods, having goods in stock, warehouse performance, and as a result reliable delivery times for the consumers. Therefore, at this point, the logistics is an essential part in order to create the customer values and satisfaction. And that is why, the main aim of this study is recognize how the logistics operations are important within the company performance.

6 EMPIRICAL RESEARCH AND DATA ANALYSIS

Chapter 6 of this study presents and analyzes the secondary and primary data during empirical examination. The goal of the research is, on one hand, to investigate how logistics operations impacts on customer satisfaction; and on another hand, to conduct the development plan for the case-company that will increase their customer satisfaction throughout the logistics.

In the beginning of this chapter, the research methods used and data collection design are presented. After that, the results of the primary and secondary data are introduced and analyzed.

The empirical part consists of two surveys and interviews. The author has divided the surveys into two main categories: survey among end consumers of E-commerce Company, and survey among the personnel of the case company. The results and examination of the surveys are also presented in this chapter. In addition, the interviews with the head of the logistics has been conducted as well. All questions and answers of the interview and surveys can be found from appendix. After interviews and surveys, the researcher indicates case company logistics operations and analysis of the following can also be found in this chapter.

6.1 Design of the empirical research

Empirical research is based on the observation, surveys and interviews conducted. As it has been mentioned in earlier chapters, there are two main research methods: qualitative and quantitative. Qualitative research is focused on the feelings, atmosphere, and personal touch of the research. Meanwhile quantitative research is focused on the quantity and measurement of it. (Laisi 2015.) In relations of this study, both methods have been used. The researcher has conducted the surveys among the target audience as well as interviewed the employees of the case company.

The researcher has divided the empirical research into two main categories: surveys and interviews. Therefore, the first part was done by creating two different surveys. First survey was focused on the experience of the consumers of the online stores. The survey was spread among all consumers that has ever bought anything online and was distributed through the social media networks. The survey had 10 different questions about their own experience and importance of the logistics in their own opinion. The main goal of this survey was to understand what plays the major role in the customer satisfaction and how logistics operations affects their user experience. Moreover, this survey helped to the researcher to conduct the development plan for the case company. The second survey was conducted among the interns and past interns of the case-company. The survey had 10 different types of questions and was focused on the experience of interns and how they perceive the company. The main goal here was to indicate what the employees see as the problem in regards of the logistics and how it can be improved. This information has also helped to the researcher to examine the development plan. All two surveys were the main source of primary data and can be found in the appendix.

In this study, the second part of the empirical research was examined through the interviews with the previous head of logistics. The interview was done via email and included questions about the logistics operations in the company and development of it. The main goal was to analyse the current situation of logistics within the company and to find out how he perceives the development of it. The results of the interview are presented further in this study. Researcher has found out that the logistics has improved since the beginning of the company, but stays stable in relations of the growth of the company. Both employees and logistics manager perceive it as a biggest threat. After interviews and surveys, the researcher got familiar with the logistics in the company and had an understanding where to start with the development plan. All the interview questions and answers can be also found from the appendix.

6.2 Data collection

This paragraph outlines the information about the data collection process of this study. The researcher has divided the whole study into two parts: theoretical and empirical. Figure 10 below represents the timeline of the data collection and this research.

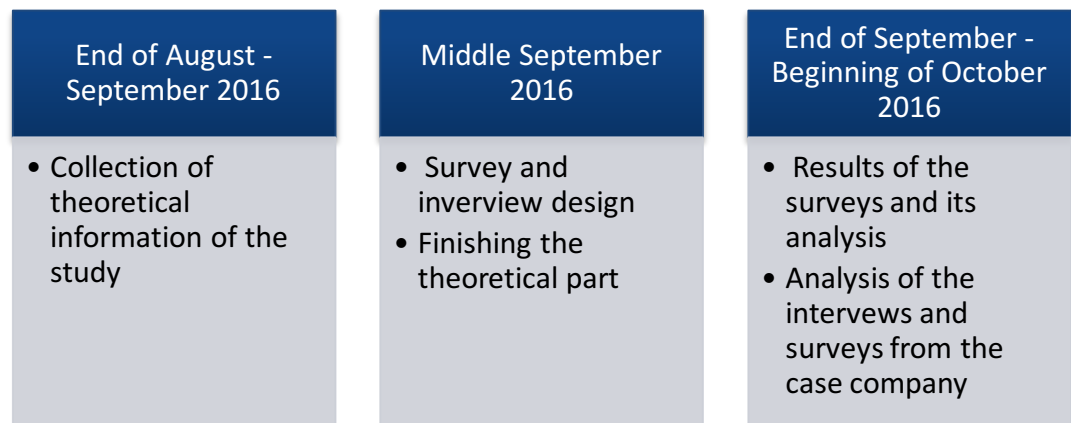


FIGURE 10. Data collection process of the study

As it is presented on Figure 10, the writing process of thesis has started in the end of August 2016. The first step was to identify the research question and to structure the thesis. After that, the researcher started to collect all the relevant information about logistics, its operations, e-commerce businesses, and definition of the start-up. Once the theoretical part started to come to the end, it was time to start to collect primary and secondary data. As the researcher has been working in the company at the time of writing the thesis, spreading the interviews and survey among the employees were not a problem. Interviews and survey among the employees were distributed in the middle of September 2016. As iSi GmbH is a start-up company, there is not a lot of employees working. Therefore, all in all, the researcher has received 12 answers from all personnel that was working in the company during last 1,5 years. All the

answers and findings of this data are used as a source of information in this study.

At the same time, the survey among the consumers of B2C online stores was launched during the week 39 and was opened for a week. In relations to the first survey, it was distributed among the target audience via social media. It was not only published on the page of the researcher but also in the different groups related to purchasing online.

To conclude, the researcher has received around 60 total responses from both surveys which was enough to analyse the results of the study. The next paragraph represents and examines the secondary and primary data that was collected during the empirical research.

6.3 Data analysis

This chapter introduces the results of the data collection during the empirical research. This chapter is divided into two main aspects. Firstly, the researcher shows the results of the survey that has been conducted among the end consumers of B2C e-commerce companies. As it has been mentioned before, the main goal of this survey was to analyse the importance of the logistics activities within the different online stores and how it affects the customer decision. In addition, after presenting the results of the survey, the researcher also analyses the findings of it. The second part of this chapter is the introduction of the logistics activities of the case company. This gives more detailed information about the logistics performance of the case company and which issues does it currently have. The data has been collected through the survey among the interns and interview with the constant employees.

6.3.1 Data analysis of questionnaire

In order to answer the main research question, the researcher has conducted the survey among the consumers of online stores. The main purpose of the survey was to analyse what plays the important role from

the perspective of the logistics on their customer satisfaction. The survey had nine questions and included different design of the questions. The first two questions were focused on the consumer decision to buy goods online and availability of the products. The first question asked the reason of choosing the online store. The respondents had five choices including choice of explaining their own opinion. The results of the first question are presented below.

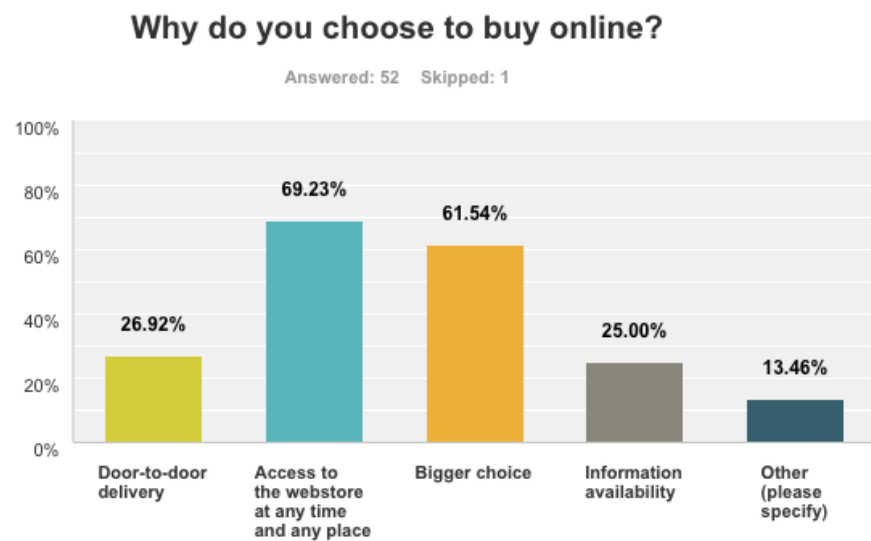


FIGURE 11. Reasons of the respondents to buy online

Based on the results, mostly all respondents agreed that the main reason to purchase at online store is the accessibility of the webpage at any time and any time. The second biggest group of answers presented that the reason to buy online is that the online stores has bigger choice of goods than the traditional stores. Around 25% and 25% of respondents claimed that they preferred to buy online due to the door-to-door delivery and information availability. And only 13% indicated another reason for buying online such as lower price and convenience of avoiding lines and crowds. All in all, it can be said that the main reason of consumers to purchase online is access to the webstore at any time and any place. Therefore, it is important for the online store to have nice and comfortable design of the store with the big choice of products.

The second question of the survey was focused on the availability of the products at the online store and how it will influence their consumer decision. The previous question showed that two main reasons for consumers to purchase online are to accessibility of the webpage and bigger choice of products. Thus, it is crucial to understand what will be the outcome if the desire items are not available at the moment. The respondents could choose from 6 different options and chose the one that they think suits them the most.



FIGURE 12. Influence of the availability of the product on the consumer decision making process

The answers show that mostly 62% of consumer would purchase at another store. Meanwhile, only 33% of respondents agreed that they would purchase later at this store or purchase substitute different brand. Also, few respondents replied that they would not buy the item at all or would purchase substitute same brand. This finding brings to the point that to customers it is very important to find the product available or on stock. Therefore, as for the B2C e-commerce companies, the availability of the products plays one of the major role in the success of the company.

After understanding the reasons of the consumers to purchase online and effects of the availability of the products, it was time to ask about the importance of the logistics in online stores operations. At this point, the respondents were asked to grade the importance of the logistics in B2C e-commerce companies and the results are presented in the table above.

TABLE 2. Importance of the logistics in B2C e-commerce companies

Index	Not Important	Rather Important	Very Important	N/A
Results	3.92%	23.53%	68.63%	3.92%

The results show that mostly all consumers of the online stores consider logistics as important part of the operations of the online stores. Only 23% of respondents ranked logistics as rather important component. Meanwhile, only 3% of interviewed thinks that it is not important at all or refused to answer this question.

After realizing that logistics is quite an important component of the companies' operations, the researcher decided to ask respondents which objectives of the logistics are the most important within the B2C e-commerce. The respondents had 5 choices and could choose more than one if they think that both are important. All the objectives of the logistics that are presented are chosen from the theoretical part of the study. Those objectives include: rapid response or customer satisfaction, minimum damage to the product, reliability in the delivery performance, economy of freight and reduction of inventory.

Based on the results, customer service and minimum damage to the products are presented as being the most important objectives of logistics to the consumers.



FIGURE 13. Importance of different logistics objectives

Also, 66% of respondents considered reliability in the delivery performance as rather important factor. Meanwhile, the rather important objectives from the consumer prospective is reduction of the inventory and economy of freight. That is also important to mention, that around 14% of respondents marked reduction of inventory as not being important at all. Therefore, based on this findings, it is possible to say that for the consumers of online stores, customer satisfaction or rapid response, minimum damage to the products and reliable delivery time, are perceived as number one objectives of logistics operations within B2C e-commerce companies. After reviewing this question, it is possible to say that the companies should take more attention to the logistics objectives such as, firstly, rapid response meaning increasing of customer satisfaction. Secondly, another main objectives of the logistics within the organization should be to minimize damages of the products during the delivery as well as make a delivery time reliable to the consumers.

The fifth question of the survey was also a ranking question and asked the opinion of the consumer about the responsibility of logistics in relations of availability of the goods. On scale from 0-5, the respondents graded the

responsibility of logistics and its management on the availability of the desired items.

TABLE 3. Responsibility of logistics on the availability of the products

Index	1	2	3	4	5
Results	3.92%	3.92%	15.69%	56.86%	19.61%

Around 4% of respondents ranked the responsibility of logistics as not being important in regards of the availability of the products. Meanwhile, around 57% agreed that the logistics plays rather important role in the availability of the items. However, only 20% of respondents marked logistics as being fully responsible for the availability of the goods.

After gaining the information about how logistics operations are important, it was also important to find out which online distribution channels end consumers see as beneficial to B2C e-commerce start-up. The respondents had 5 online distribution channels to grade as being beneficial, rather beneficial or not beneficial at all.

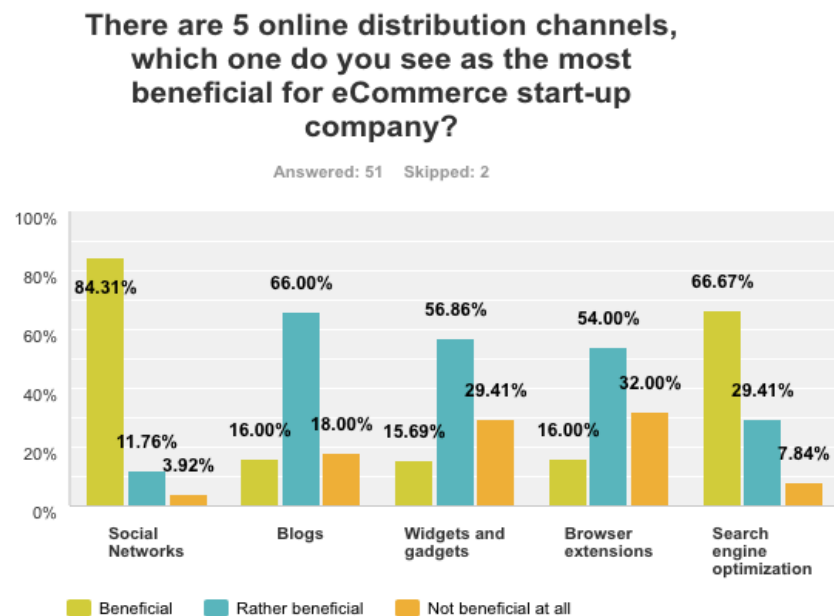


FIGURE 14. Significance of online distribution channels

84% of respondents said that social networks are one of the most beneficial distribution channel for the online stores. Whilst, 67% of consumers see search engine optimization as being the most beneficial channel. 66% respondents marked blogs as being rather beneficial distribution channel. Meanwhile, around 55% consider widgets and gadgets and browser extension as being rather beneficial channel. Moreover, based on the results, one of the most none-beneficial channel that counts 24% answers from all respondents, is browser extensions. And only 4% and 8 % marked social networks and search engine optimization as being none-beneficial distribution channels. Thus, based on the findings, social networks and search engine optimization, are two the most important and beneficial distribution channels for the B2C e-commerce start-up company that would bring customers and successful performance to the company.

The next question of the survey was based on the promises of the company, e.g. on reliability of the delivery time. As it is being presented before, the reliable delivery time is very important factor in the consumer decision making process. Therefore, for the researcher, it was essential to find out what the outcome will be if the company has not-reliable delivery time.

If the company has not-reliable delivery dates, what is going to be your reaction?

Answered: 51 Skipped: 2

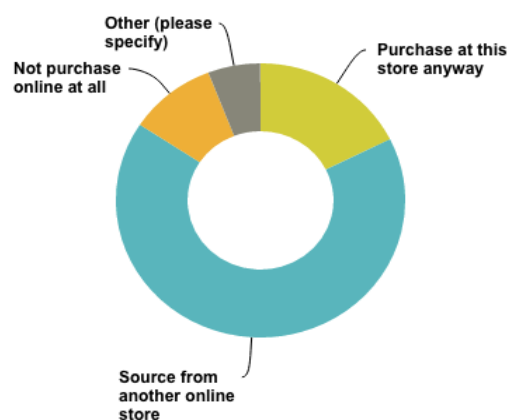


FIGURE 15. Reaction of not-reliable delivery time.

Respondents were given four options where the last option was to give their own opinion. The results present that 66% of interviewed would source from another online store. Meanwhile, 18% of respondents said that they would purchase at this store anyway. And total of 10% answered that they would not purchase online at all. The finding also shows that 6% of the consumers answered as they would be able to wait as soon as they do not require the item urgently. However, the percentage of this answer is rather small to count it as a reliable response. All in all, these findings show that having a reliable delivery dates is essential for the company if it wants to keep or attract new customers.

The last two questions of this survey were focused on the consumer experience of the online shopping and by which criteria they choose e-commerce stores. Firstly, the respondents had 5 factors to choose that plays the major role for them in choosing online store.

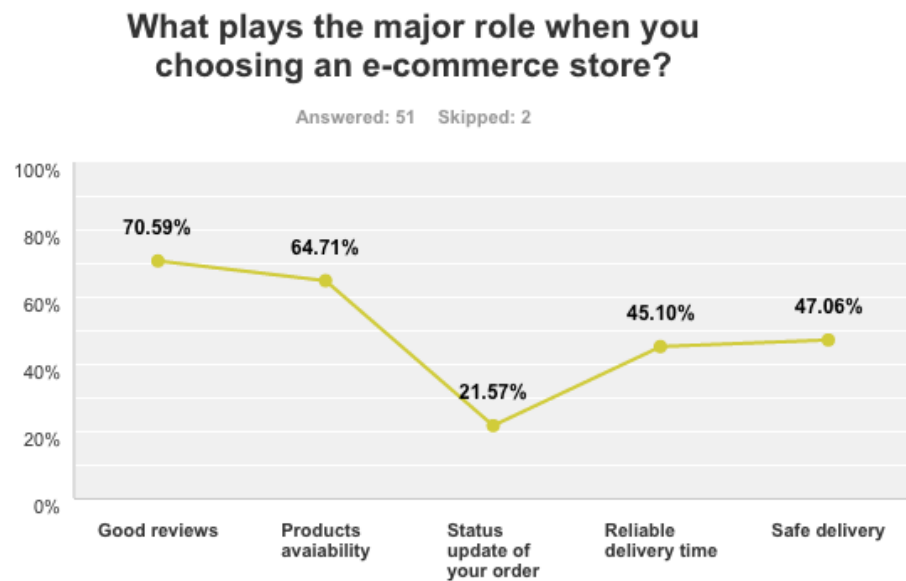


FIGURE 16. Important factors of choosing particular e-commerce store

The respondents were given five important factors to choose among: good reviews, product availability, status update of your order, reliable delivery time, and safe delivery. Based on the results, the most important factor for the consumers to choose the online store, is reviews meaning the past experience of other users. At the same time, 65% of respondents said that

for them it is rather important for the product to be available at the moment of purchase. And around 46% considers reliable and safe delivery time as a major factor of choosing e-commerce store. Surprisingly, only 25% of all respondents answered that the update and communication from the company important for them to choose the online store. The last question of the survey was an open question where the researcher asked to name the favorite online store of respondents and give the reason as well. The answers of the end customers on this question was very broad. However, the researcher has outlined the most famous online stores that are Amazon, Asos and Zalando. The reasons why the respondent chose all this three stores are: big choice of different products, good and safe delivery of goods, and cheap prices. Thus, in order to the B2C e-commerce company to be successful and has a competitive advantage on the market, it should have good reviews, stock of goods, and reliable and safe delivery for the customers that they could purchase again.

Survey results outlined that the consumers prefer to purchase online due to the bigger choice and accessibility of the website at any time and at any time. Thus, for the companies it is crucial to have an understandable and easy to use design as well as have a bigger choice of goods than the competitors. The findings also represent that the availability of the goods plays one of the major role of the consumer decision making process. This means that if the desired item is not currently in stock, the customer most likely would purchase from another online store. In addition, the part of the company that is responsible for the availability of the product is logistics. That brings to the point that the logistics operations are one of the most important activities of B2C e-commerce companies and proven by the presented results. Moreover, the survey shows that most important objectives of logistics for the company should be customer satisfaction, minimum damage to the products and reliable delivery time. In relations of the reliability of delivery times, mostly all respondents answered that if the company does not fulfill its promises of delivery, they would probably source items whereas else. To conclude this paragraph, based on the results, for the B2C e-commerce start-up companies, it is very important to

have a reliable and safe delivery and manage the product availability. And as it is being reviewed before, logistics activities are responsible for this operations. Therefore, in order to achieve better customer satisfaction, management of this activities are very important. Furthermore, as for the e-commerce companies, it is better to maintain the previous customers than achieve the new one, reliable and safe delivery as well as stock availability play the significant role in the company's operations. Results of this survey is also used in order to support the findings that are presented in a purposed development plan for the company further in this study.

6.3.2 Logistics in the case company

The case company is an e-commerce start-up company that is called iSi GmbH and located in Germany. The company operates by trading plumbing goods online for British and French market. iSi GmbH is rather young company as it has been launched three years ago in France and only one year in United Kingdom.

As it is being said before, the company started to operate in 2012 with 3 employees and selling goods to French market. With the increase in sales, and development of the website, the iSi GmbH started to expand to United Kingdom. At this point of time, the company already counted around 4-7 employees with 5, 000 products online. Due to the company being a start-up and trading goods directly to the customers, logistics is an essential part of the company operations. From the very beginning, the logistics department was established but was working in a limited capacity. The company did not have its own warehouse meaning the goods were shipped directly from the basement and packed only in the morning. Another issue was that the company did not have an operating system for tracking the orders properly from the manufacturers and ensure the products to be sent to the right customers. However, since that time, it has greatly evolved. Implementation of the new system and movement of the packaging to the central warehouse took place. The logistics has since

grown immensely and more people have been hired to handle the logistics of the company. (Interview with employees.)

After reviewing the theory and part of the empirical research of this study, it is possible to say that the logistics takes one of the major role in the operations of e-commerce companies. In relations of the case-company, the biggest treat to a company will be if the company's logistics fails. The head of logistics of the iSi GmbH claimed that if there is no logistics in place, the company cannot operate efficiently as it is the core of the company. The reason for that is that if there is a problem in logistics, it will directly impact the customer service and as a result influence on customer satisfaction and loss in the turnover of the company. In addition, the dependency of the logistics and customer satisfaction is presented clearly in the case company. As more orders are delayed, more customers contact the customer relations department and raise claims. In company's opinion good logistics should help the customer service run smoothly. (Interview with head of logistics.)

The head of logistics department answered that one of the weaknesses of the logistics was that supply of packaging was often insufficient and restocking times were too high. This meant that customers would complain as delivery was delayed and thus many orders were cancelled. Also, another issue was with the stock of the actual products themselves. Delivery times announced online could not be respected due to manufacturer delays that significantly affects customer satisfaction.

The researcher also created the survey that was distributed among the interns at the company. The main goal of this survey was to understand where the problem of logistics lies at that could help to this study to implement the development plan for the company. Due to the company being a start-up, it does not have a lot of employees, therefore the survey has gained 12 answers. In addition, the company is divided into three main fields: content management, customer service and logistics.

At what field do you work at the company?

Answered: 12 Skipped: 0

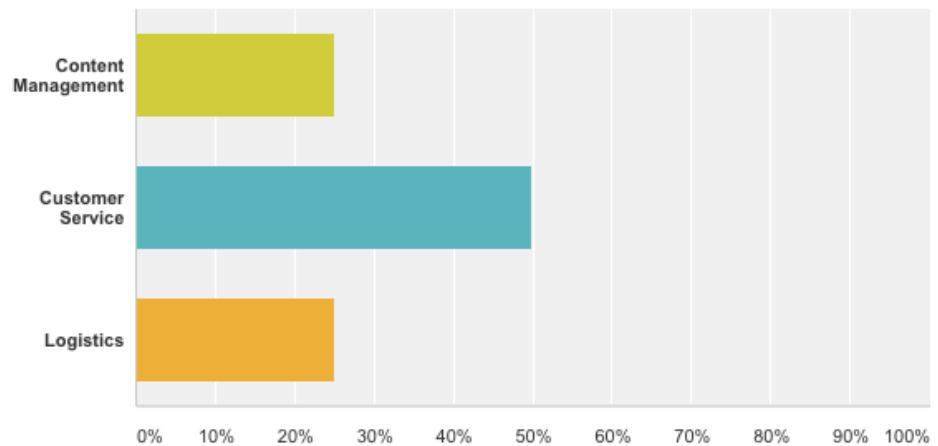


FIGURE 17. Departments at iSi GmbH

The results are based on the response from 50% of respondents from customer service, and 25% of content management and logistics department.

The next two questions of the survey were to grade the logistics performance in the company and explain how it affects customer satisfaction. The findings show that mostly all employees (63%) believe that logistics performance in the company is not good enough and should be improved. Meanwhile, another 37% answered that the logistics operations are at the rather good level. Moreover, all respondents have agreed that the logistics at the company affects the customer service directly. The reasons how it influences on the customer service satisfaction were the following:

- a. Mistakes during the delivery affect the customer service department.
- b. Better logistics operations are managed, fewer problems customers have and happier they are.
- c. One of the main activities of the logistics within the company is to track orders, dispatch items and order items from the

manufacturers. If those activities are not managed correctly, the customer service satisfaction will drop massively.

- d. Delays in the delivery time, not reliable delivery time.
- e. Not sufficient packaging affects customer satisfaction directly.

Generally speaking, it can be said that customer satisfaction is majorly based around the performance of the logistics team.

After understanding that the logistics performance is rather satisfactory at the company and that it influences the customer service directly, it was time to find out what are the main problem in the logistics field of the company. The respondents were given four options to choose: miscommunication that was based on different language talking at the warehouse and at the office, warehouse performance, delivery companies and management of logistics.

What do you see as the main problem in the logistics field of the company?

Answered: 12 Skipped: 0

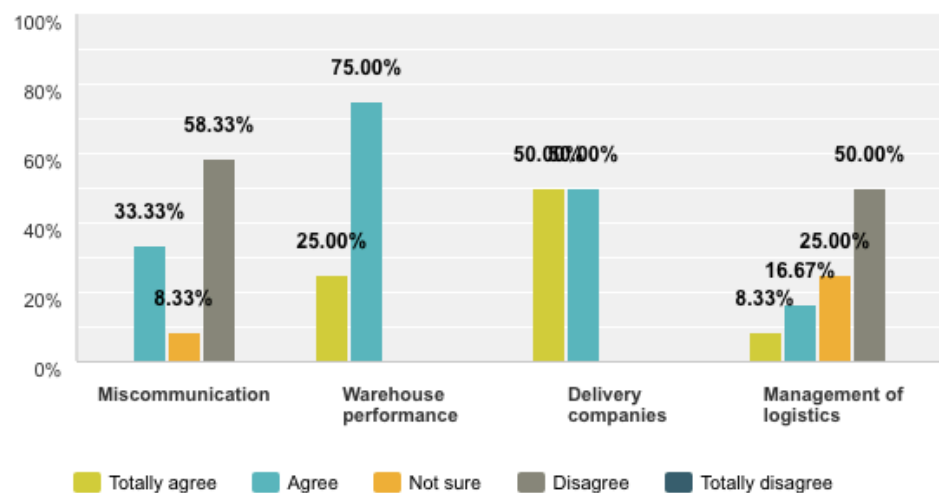


FIGURE 18. Issues in the logistics field of iSi GmbH

Based on the findings, 75% of employees see warehouse performance as the biggest issues in the company. Whilst, the second biggest problem of the company, the interns consider to be the performance of the delivery companies.

Back to the survey, surprisingly, 58% of respondents do not see communication as being the key factor in the logistics problems of the company. In addition, 50% of employees believe that management of logistics is not the main problem within the logistics operations. However, mostly all employees agreed that the company performance and customer satisfaction is suffering from not-developed logistics activities.

TABLE 4. Effect of the not-development logistics activities at iSi GmbH

Index	Strongly believe	Rather believe	Not sure	Rather do not believe	Strongly do not believe
Results	50 %	41.67%	0 %	8.33%	0 %

On the Table presented below, it can be seen that only one respondent does not believe that not-developed logistics activities make customer satisfaction and company performance lower.

The next question of the survey was focused on the improvement of the logistics services at the company. As before, the respondents were given several options to choose from.

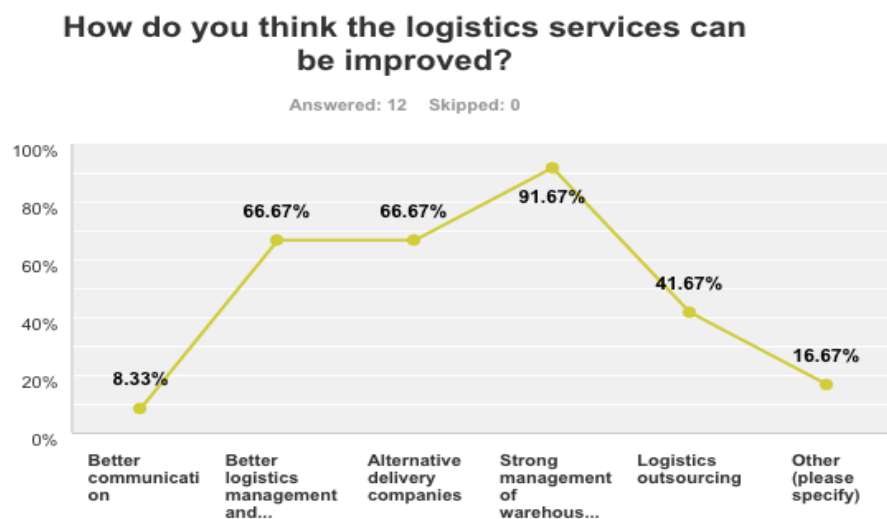


FIGURE 19. Improvement of the logistics services

Previous findings showed that the employees believe that the main issue in regards of the logistics is the warehouse performance. Thus, 91% of respondents answered that the logistics services can be improved by strong management of the warehouse activities. Meanwhile, around 66% of employees believe that better logistics management and planning as well as alternative delivery companies is the key success of improving the logistics within the company. In addition, only 41% see logistics outsourcing as the choice of better logistics.

In respect of two last questions of the survey, the researcher was trying to find out how the employees is satisfied with the level of logistics at the company; and what changes would iSi GmbH would have to make to give it a higher customer satisfaction. Even though, the results showed that there is a lot of issues within the logistics field, mostly all respondents answered as they are satisfied with the logistics performance at the moment.



FIGURE 20. Satisfaction of the logistics services at iSi GmbH

As it is presented on the bar chart below, 42% of respondents are satisfied with the logistics activities. Meanwhile, 17% of employees said that they are neither satisfied nor dissatisfied with the logistics operations. And only 8% claimed that they are not satisfied at all.

Furthermore, in order to support the empirical part regarding improvement of the customer satisfaction through the logistics, the researcher has brought the statistics of the company customer service performance. Two Figures below represent the percentage of the topics that are received by the customer service team of the company. The Figure 21 shows data for the French customer service, meanwhile Figure 22 presents data for the British customer service.

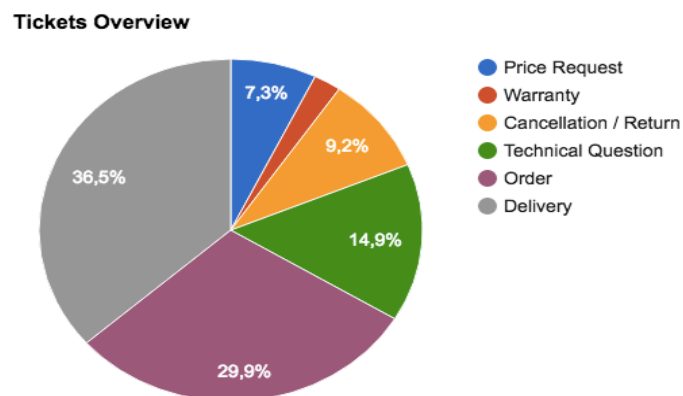


FIGURE 21. Topics of customer service (FRANCE)

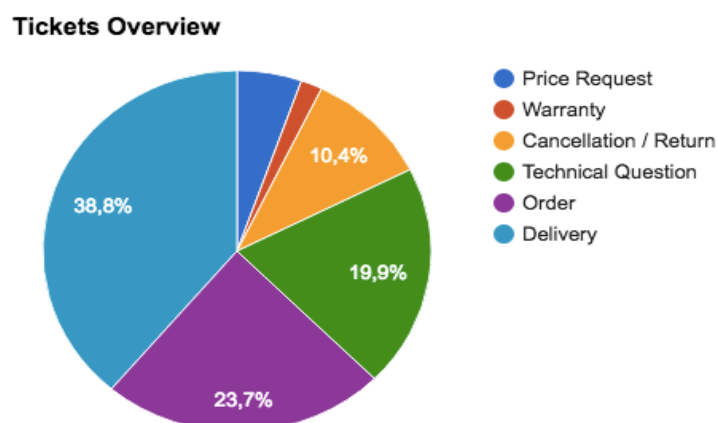


FIGURE 22. Topics of customer service (UNITED KINGDOM)

All the emails that the customer service is receiving are divided into six main groups: delivery, order, technical questions, cancellation / return, warranty and price request. In regards of the French customer service, the biggest share is the emails corresponding the delivery of the order and counts as 36.5%. At the same time, the delivery update emails in United Kingdom counts as 38.8% and have the biggest share as well. Another biggest group of emails received for both countries correspond to the update of the order. Due to the researcher been working along the customer service, the most emails that the company receives are: “Where is my order?”, “Can I have an update on my order?”, “What is the estimated delivery time for my order?” etc. Thus, based on those charts, it is possible to say that the logistics takes one of the major role in the operations of the company as well as it influences on customer satisfaction and working performance of the customer service department.

In addition, to support the findings about the management of the warehouse and logistics performance as well as choosing the alternative shipping partners, this study presents some statistical data from the case company. In respect of the delivery companies, iSi GmbH has two main shipping partners: DHL and Heppner. All the small packages are sent with DHL with the estimated price for their services. And all the big shipments, or the orders that contain the ceramic items, are shipped by the pallet by DHL Freight to UK and Heppner to France. In respect of the small packages, the estimated delivery time is within 3-4 days since the order has been dispatched.

CW	Total orders	Packages Dispatched	Average shipping time
31	259	242	3,53
32	219	301	3,69
33	215	220	3,70
34	237	231	5,93
35	301	224	4,95
36	266	311	4,80
37	255	195	4,99
38	238	280	4,81

FIGURE 23. Average shipping time per week (iSi GmbH Statistics, 2016)

The Figure 23 above presents the information about the average shipping time of the orders per week. Thus, it can be seen that the average time to ship the products varies between 3 or 4 working days.

However, in respect of the pallet shipping, the estimated delivery time varies from 5 days for France and 7 days to United Kingdom. And here is the main issue of the reduction of the delivery time. The shipping time of 5 and 7 days since the order is dispatched is quite long time to deliver goods and leads to the customer dissatisfaction.

Moreover, shipping the order by pallet brings the damages during the transit that also increases customer dissatisfaction. The percentage of the damaged pallets is illustrated above.

CW	Total Pallet Send	FR Damaged	UK Damaged
17	7	1	0
18	8	0	0
19	8	2	2
20	8	1	2
21	6	1	0
22	6	0	2
23	11	2	1
24	4	6	1
25	8	1	0
26	12	0	0
27	15	1	1
28	5	0	0
29	5	3	1
30	3	1	0
31	3	0	0
32	9	1	1
33	2	2	0
34	7	0	0
35	2	0	0
36	6	0	0
37	2	1	1
38	7	1	0
39	6	0	0
40	6	1	0
	156	25	12
	23.72%		

FIGURE 24. Damaged pallets per week (iSi GmbH Statistics, 2016)

On the Figure 24, it can be clearly seen that 37 pallets out of 156 sent are damaged. This brings to the 23.72% of all pallet shipment to be damaged during transit.

In respect of the logistics issues, the Figure 25 illustrates the current problems that the customer service department has in regards of the outbound logistics.

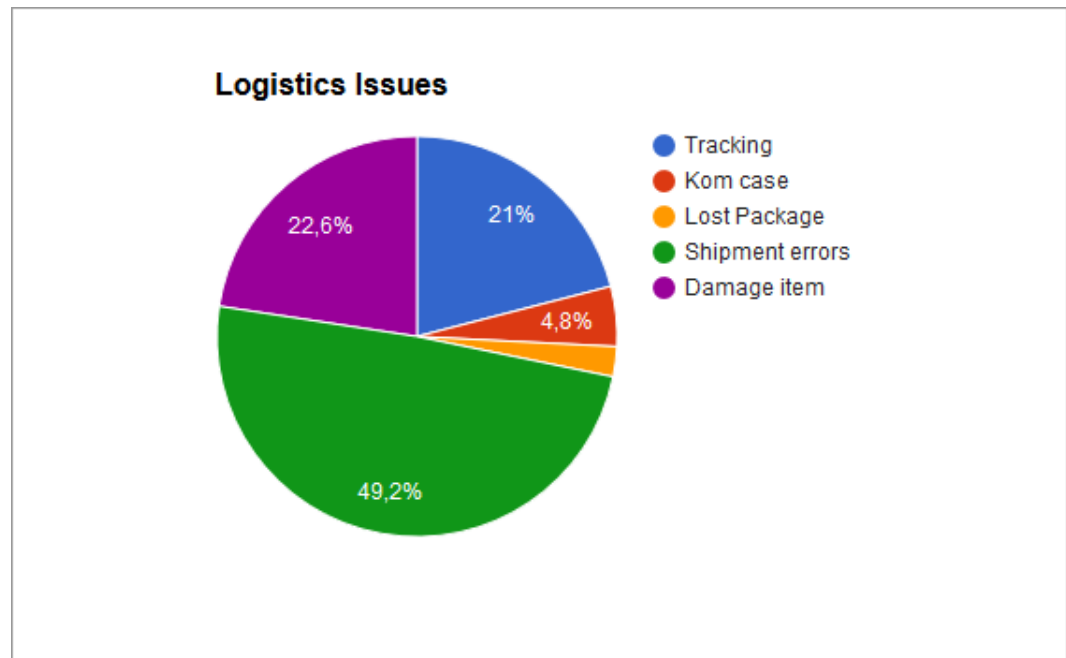


FIGURE 25. Outbound logistics issues of iSi GmbH

The Figure shows that the majority problem that the customer service faces is the shipment errors that counts as 49.2%. The next biggest issue is damaged items that takes 22.6%. Thus, it is possible to say that the warehouse management and alternative shipping partners can be a solution for the better customer satisfaction and will be reviewed later in this study.

6.4 Results and discussions

The survey showed that mostly all customers prefer to buy online due it broader choice and accessibility of the store at any time. Furthermore, products availability and good reviews play the major role when choosing

among the online stores. Thus, if the product is not available at the moment, or the company does not have the reliable delivery time, the potential customers will purchase at the competitor store. And as logistics is responsible for the transportation of goods and availability of the items, it can be said that logistics performance plays one of the most important roles within the company operations. The study also shows that customer satisfaction and minimum damage of the product should be one of the first objectives of the logistics performance. Therefore, after reviewing the theory and empirical research results, the author has found out the most essential aspects of how to enhance customer satisfaction through the logistics operations:

- I. Management of the inbound logistics
 - a. Reliable delivery time between the manufacturer and retailer
 - b. Operational mistakes
 - c. Warehouse management
- II. Management of outbound logistics
 - a. Reliable shipping partners, e.g. freight forwarders
 - b. Clear process of damaged and lost items

Moreover, in respect of the case company, after reviewing the main problems of the company logistics performance and identifying the dependency of the logistics and customer satisfaction, the research together with the employees have come up with the following findings on how to improve the customer satisfaction throughout the logistics:

- I. Employment of the head of logistics in the warehouse.
- II. Clear process of customer issues related to logistics.
- III. Respectful delivery times.
- IV. Good process for claims
- V. Reduction of the delays in delivery.
- VI. Transparency with suppliers and manufacturers in regards of the availability of goods and delivery.

All in all, it can be said that the logistics department has room for growth and it is important to keep expanding as the company grows. One of the main issues for is that the company is growing too fast and the logistics department simply could not keep up with it any more. Investing in staff and management of the logistics performance here is key to have a well running company. All the findings presented are going to be used in order to support further presented development plan for the company.

7 DEVELOPMENT PLAN

After the researcher has studied about logistics and gained knowledge about the concept of logistics operations, dependency of it on customer satisfaction and company's performance, decision making process of customer buying online, and how logistics influence on the customers' choice, it is time to present the development plan for the case company. The development plan is done after reviewing both theoretical and empirical research and divided into 3 main categories: SWOT-analysis of the company, management of outbound logistics and management of inbound logistics. The first part of the plan is focused on the company's analysis of its strengths, weaknesses, opportunities and threats in regards of the logistics operations. The information assembled from SWOT analysis will help in this study to perform the final development plan for the chosen company. The second and the third part of the plan introduces the findings about the management of the inbound and outbound logistics of the company and suggestions on how it can be improved in order to enhance customer satisfaction.

7.1 SWOT analysis

SWOT analysis usually refers to the business analysis technique that the organisation can for each part of the company in order to achieve the future growth. The process of this analysis includes identifying company's factors such as strengths, weaknesses, threats and opportunities presented in the market the company operates. In addition, these factors make the acronym SWOT. (Free Management Ebooks 2013, 6.)

According to the definition, SWOT analysis "is an examination of an organisation's internal strengths and weaknesses, its opportunities for growth and improvement, and the threats the external environment presents to its survival" (Gretzky 2009, 92). Before applying SWOT analysis to the company performance, it is important to clearly identify each steps of the analysis. Strengths and weaknesses applied for the internal factors of the company. Strengths – appropriative internal factors

for achieving company's objective. Weaknesses – unfavourable internal factors for achieving company's objective. Meanwhile, opportunities and threats applied for the external factors of the company. Opportunities – appropriative external factors for achieving company's objectives and threats are the unfavourable external factors. (Free Management Ebooks 2013, 8.)

SWOT analysis involves four major steps that are presented below (Gretzky 2013, 92-93):

- 1) Step one of SWOT analysis collects and evaluates the key data. Depending on the company, the data can include population demographics, status of the company, sources of the funding, and current status of the technology level.
- 2) Step two is focused on collection and sorting out the information into four categories: strengths, weaknesses, opportunities, and threats. As strength and weaknesses are the internal factors, they are generated from the information within the company, meanwhile, threats and opportunities are generated from the external environment.
- 3) Step three is to evaluate all the information gathered and involves the development of SWOT matrix for each alternative presented.
- 4) The last step of SWOT is to determine which business alternative best meets the company's needs and objectives.

Before applying SWOT analysis to the case company, it is important to explain more in depth each factor of the analysis (Kyle 2003).

STRENGTHS

Advantages of the company over its competitors. The question to ask is “What makes you more advantageous than your competitors?”

WEAKNESSES

List of areas that the company has disadvantages over its competitors. The question to ask is: “What do the customers complain about?”, “What are the biggest disadvantages of the company?”

OPPORTUNITIES

Factors of the external environment for future opportunities of the company.

THEATS

Also factors of the external environment but the one that can cause problems to company performance.

The SWOT analysis that is presented in this study is gathering the information about the strengths, weaknesses, opportunities and threats in respect of the logistics performance in the case company. The whole analysis is based on the theoretical and empirical research that has been done for this study. Analyzing company’s logistics performance and how it is perceived within the company has also influences on SWOT in respect of the internal environment of the chosen company. Results achieved can be seen in a Figure below that is further followed by the explanation of each factor.

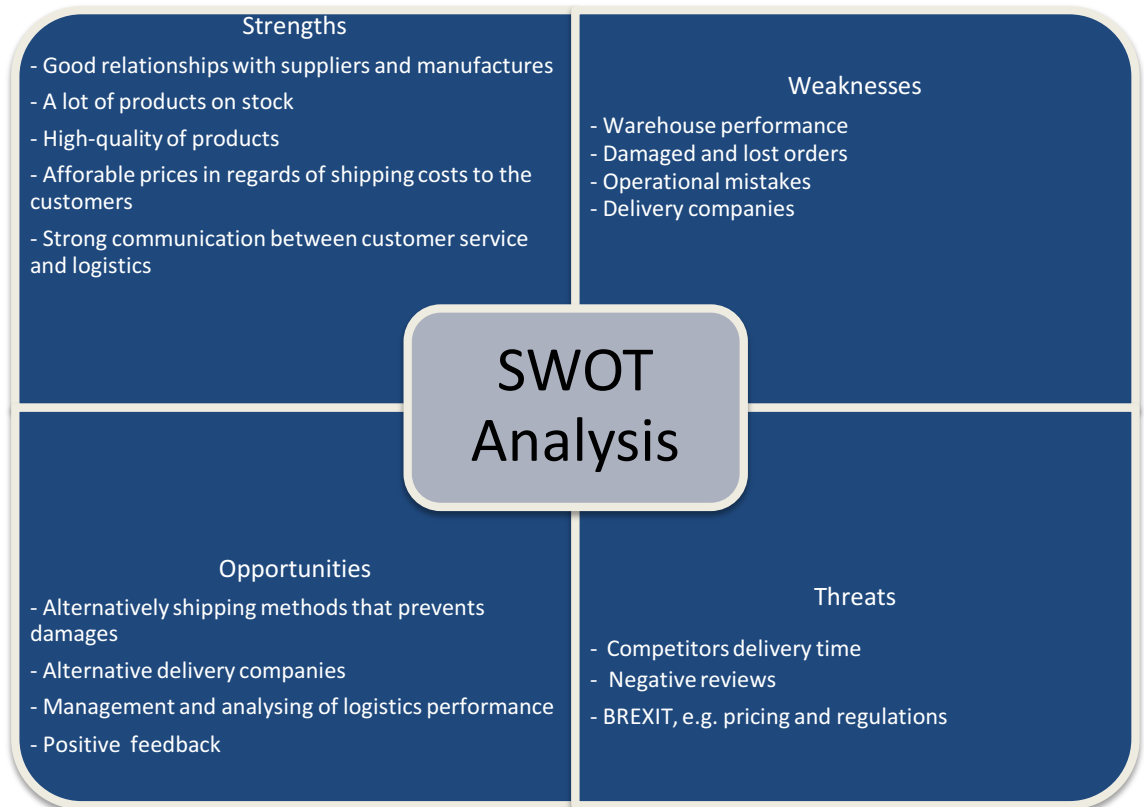


FIGURE 26. SWOT analysis of case company's logistics performance

The research has identified five strengths of the logistics operations within the case company. First strength is a good relationship between suppliers/manufactures and the company. Due to the company being a start-up that is developed under one big German enterprise of plumbing products, the items can be sourced to the warehouse at the same day if it is in stock. This means that the good relationships affords the case company to claim the delivery time of the goods being within 3-5 working days if it is in stock. Thus, the fast delivery of the desired items attracts more and more customers. Moreover, trustful relationships also play a major role in regards of the returning items or exchanging it. The easy process of return and warranty of the goods from the customers also influence on customer satisfaction. The second strength of the company is having on stock 60% of the products online that allows to the end customers to have their goods within a week. Another strength that is related to the goods, is a quality of the plumbing products. As it is being

said before, the company is located in Germany but trades to France and United Kingdom. Therefore, it is essential to have affordable shipping costs to the customers in order to have the competitive advantage on the market. iSi GmbH has significantly fulfilled this factor as it provides free delivery for orders above 450 EUR, and 49 EUR for the ceramic items. Due to the company being a start-up, both customer service and logistics department are located in the same office. This allows to have strong communication between the departments and as a result provide needed information to the customer within 24 hours.

In respect of the weaknesses, this study provides information about five main weaknesses of the logistics within the company. First and one of the biggest weakness of the case company is the warehouse performance. Based on the empirical results, 91% of employees of the company see this factor as the most important to the company. And it can be divided into four main field: location of the warehouse, size of the warehouse, performance of the warehouse and communication. Firstly, the warehouse is located about 1 hour from the main office that prevent fully manage the performance of the workers. Secondly, as iSi GmbH is a part of the bigger company, it does not own the warehouse and has just a small part of the bigger one. As a result, with growing of orders and sales of the company, the warehouse is running out of space that creates further mistakes. Thirdly, due to not enough labor force, warehouse workers do not have a manager that could control and regulate the performance of the warehouse. It leads to shipping errors and mistakes in booking in time that all decrease customer satisfaction and brings not reliable delivery time. Lastly, iSi GmbH is an international company meaning that the main language of the office is English, meanwhile main language of the warehouse is German. And this difference in language brings miscommunication that also affects the company's performance. Second weakness is damaged and lost packages. Unfortunately, by now the company does not have a clear process of claiming the damage and lost orders meaning that the customers should wait for long time until the final decision about refund or replacement is made. The third weakness is

operational mistakes that are happening in the office, e.g. the wrong items have been ordered due to the difference of the manufactures numbers. Last weakness is the delivery companies and costs for their services. As it being presented before, the case company is using DHL for transportation of the small packages, and Heppner and DHL Freight for the pallet transportation. In respect of DHL, due to it being a big company, the process of claiming the damaged and lost packages is not clear enough that bring to the loss in the turnover. And in respect of the delivery companies of the pallets, the average time for the delivery is within a week that does not meet the customers' requirements. All in all, it can be said all these weaknesses are directly affect the customer satisfaction rate and as a result company's performance. Thus, it is essential to develop the action plan that would try to solve those problems.

One of the biggest opportunities for the case company is to find alternative shipping methods that would not affect the budget as well as will be secure enough to prevent the damages of the goods. This will decrease the percentage of the damaged items during the transit. In addition, the shipping costs can be not that high for both company and customers. Another opportunity is to find and implement different delivery companies that would be more cost-efficiency as well as has faster delivery time. The third opportunity for the company is to have the management and analyzing tool of the logistics performance. This will allow to identify the gaps of logistics and find out the most weakness areas of its operations. And as a result, it will increase customer satisfaction and brings more positive feedbacks that can be seen as the forth opportunity for the case company.

As there are a lot of external factors from the outside environment of the business, the external threats should be considered in this SWOT analysis as well. One of the major threats is the competitors and their delivery time. As German plumbing products are very popular due to its high quality, more and more German online stores are starting to appear on the market. Thus, it is important to the company to claim itself as the company with the reliable delivery time with low pricing on shipping. Another big threat is the

negative reviews. The survey results show that around 70% of customers choose the online store by reading the reviews. This means that if the company has a bad rating on the reviews scale, most likely the potential customer will not purchase from this online store that will lead to the decreasing in sales. The last threat for the company in the future perspective is BREXIT. Two main markets where the company operates is France and United Kingdom. Thus, with UK leaving the European Union, the company will face difficulties due to the exchange rates, increasing in price and trade regulations.

7.2 Action plan

One of the main goal of this thesis is to develop an action plan for the case company. This plan is focused on the company's logistics activities and how those activities can be improved in order to gain better customer satisfaction. As the researcher has already gone through the theoretical part of this study and completed the empirical research, it is now time to make proper suggestions for iSi GmbH. All the suggestions that are introduced above are based on the theoretical aspect of this research, as well as on the empirical analysis and the statistical analysis of the company performance. Moreover, the SWOT analysis that is presented above is also used as one of the tool to support the action plan. The action plan consists of into two main categories: management of inbound logistics and management of outbound logistics. The researcher has decided to divide the plan into those two aspects based on the results gained from the empirical research. The first part of the plan is going to be focuses on the logistics activities within the organization and warehouse. And how those activities can be improved in order to have better customer satisfaction. Meanwhile, the second part is going to be more focused on the logistics performance outside the warehouse, meaning on the delivery companies and its services.

7.2.1 Management of inbound logistics

After going through the theoretical part of this thesis and analysing the empirical results, the researcher has divided the action plan into two main fields: management of inbound logistics and management of outbound logistics. In respect of the inbound logistics, the following issues have been found:

1. Reliable delivery time between the manufacturer and warehouse
2. Warehouse management
3. Operational mistakes

Those aspects are going together with the findings that the employees have stated as a current problem at the company and presented below:

- A. Employment of the head of logistics in the warehouse.
- B. Respectful delivery times.
- C. Transparency with suppliers and manufactures in regards of the availability of goods and delivery.

Therefore, in order to conduct the action plan, the researcher will go through all issues and purpose the suggestions on each topic.

Reliable delivery time between the manufacturer and warehouse

iSi GmbH currently has currently three stocks: its own stock, stock from the manufacturer, and stock from the supplier. The concept of the delivery time for the consumer is that if the item is in stock, it should be dispatched within 48 hours, and if not, within 2-3 weeks due to the manufacturing process. Furthermore, depending on the location of stock, the items are transferred with the different time line. On the Figure 28 below, the average dispatch time of the goods from the week 31 to week 40, is presented. The Table illustrates that the average time from the moment when the order has been placed and order is dispatched is within 9 days. However, the company claims that the average delivery time for the goods is up to 5 working days.

TABLE 5. Average dispatch time of products at iSi GmbH (2016)

CW	Total orders	Packages Dispatched	Pallets Dispatched	Average dispatch time
31	259	242	7	11,48
32	219	301	34	13,00
33	215	220	16	14,59
34	237	231	17	16,95
35	301	224	12	4,61
36	266	311	24	7,61
37	255	195	22	5,32
38	238	280	24	8,94
39	241	226	21	7,17
40	261	266	17	17,5

With this, the customer satisfaction of the company goes down that significantly affect the company performance. In order to resolve this issues, the research has divided it into two major problems: booking in time at the warehouse and not reliable delivery dates from the manufacturer and suppliers. In respect of the warehouse, this will be reviewed later in this chapter. Thus, the main issue is that manufacturers and suppliers do not give the reliable delivery time. One of solution here can be to implement manufacturers' IT system into the EPN system of the company, that updates of the delivery time can be automatic. And this, will allow to the customer service department to update the customers with the reliable information. Another aspect that has not been recently solved in regards of the respectful delivery time, is that there was no tracking of the delayed orders. This brings to the customer dissatisfaction as they first needed to get in contact for the company. For that, the research has suggested to create an automatic system of tracking that is presented above.

TABLE 6. Tracking of the long waiting orders

CW	ordernumber	Item in stock	Whole order in stock	Status for CS	Day	Deadline	Email	Send	CW	Complete
37	38778	Yes	Yes	Complete	26	Check	Good		38	21.09.2016
37	38779	Yes	Yes	Complete	26	Check	Good		37	16.09.2016
37	38780	Yes	Yes	Complete	26	Check	Good		37	16.09.2016
37	38781	Yes	Yes	Complete	26	Check	Good		37	16.09.2016
37	38782	Yes	Yes	Complete	26	Check	Good		38	19.09.2016
37	38782	Yes	Yes	Complete	26	Check	Good		38	19.09.2016
37	38783	Yes	No		26	Check	Need to be contacted	Yes		
37	38783	No	No		26	Check	Need to be contacted	Yes		
37	38783	Yes	No		26	Check	Need to be contacted	Yes		
37	38783	Yes	No		26	Check	Need to be contacted	Yes		
37	38784	Yes	Yes	Complete	26	Check	Good		37	16.09.2016
37	38784	Yes	Yes	Complete	26	Check	Good		37	16.09.2016
37	38785	No	No		26	Check	Need to be contacted	Yes		

The Table 6 illustrates the orders that has been received during the week, if the items ordered are in stock or not, and if the order is in the stated time frame. If the order is delayed, the logistics department notified the customer service that it can contact the customer directly. This practise has been implemented into the company operations during past two weeks meaning that the raise of customer satisfaction can be reviewed later.

Warehouse management

After identifying how the delivery dates can be more respectful and more precise for the customers, the next issue that is raised is the management of the warehouse. As it has been said before, there are four main problems: location of the warehouse, size of the warehouse, performance of the warehouse and communication. In regards of the location of the warehouse, it is located quite far from the main office that brings to the point that the workflow of the warehouse coworkers cannot be managed properly. In addition, due to the iSi GmbH being a small start-up, its own a small square in the bigger mother company warehouse. However, with the growth of the orders, the warehouse is running out of space that leads to the mistakes within the warehouse, such as booking in and shipment errors. Even though, the performance of the warehouse has greatly developed during the past months, it is still needs improvements in respect of the booking in time as well as prevent all shipping errors. The last but not least issue within the warehouse is the communication. As the main language in the company is English, and in warehouse is German, it creates misunderstanding and mistakes due to the communication process. Therefore, all four problems should be solved in order to create a better value for customers and increase customer satisfaction. The suggestions on those issues are presented in the Table 7.

TABLE 7. Suggestions on the warehouse performance

Problems	Suggestions
Location of the warehouse	Even though, it is hard to move the warehouse to a better location, the company should find an office that would be not that far from the warehouse. Another solution for this, is to hire the warehouse manager that would be able to control the workflow of the warehouse.
Size of the warehouse	With the potential growth of the company, the company should try and find its own warehouse where the it will have more space to store more goods on stock, and that will have enough space for packaging and sending out goods without mistakes.
Warehouse performance	As it has been said, there are two main issues in warehouse performance: late booking in and shipment errors. Booking in problems can be solved by moving to the bigger warehouse that it will be clear which products just arrived. In respect of the shipment errors, the tracking of who has packed and sent out the package should be considered. This will allow to understand why the mistakes took place. Another solution for this will be to hire the warehouse manager that will be able to control and prevent those mistakes.
Communication	As the company operates internationally, the language barrier will always take place. However, hiring of the warehouse manager that would speak both languages, English and German, can solve this problem.

After analysing the suggestions that has been presented, the research has come to the decision that the only solution that has resolve all the warehouse mistakes is to hire the warehouse manager. This will allow to have a control over the workflow in the warehouse and prevent the

employees of doing the mistakes. As managing warehouse from the distance is a very tough and hard work.

Operational mistakes

Mistakes can happen everywhere and any time. This is why, for the start-up e-commerce it is very important to stay aware of it. With the automatization of the order processing, more and more ordering mistakes started to appear. In order to make it clear, it is important to say that two months ago all the orders had been ordered manually from the manufacturer and supplier website. This allowed to double check the correspondence of the item number and the manufacturer numbers. However, with the automatic ordering, this issue gain one big problem: ordering the wrong items. With ordering the wrong items, the warehouse started to be full of not-needed items that took a lot of space. Thus, in order to prevent these mistakes, the check of the correspondence of the numbers within the manufacturer and company system should take place.

7.2.2 Management of outbound logistics

After analyzing and making suggestions for the inbound logistics mistakes, it is time to go through the management of outbound logistics. In respect of the outbound logistics, the follow issues have been found:

1. Reliable shipping partners, e.g. freight forwarders
2. Clear process for claims

Those problems are going together with the resolutions that have been identified by the employees of iSi GmbH:

- A. Good process for claims
- B. Reduction of the delays in delivery.

Therefore, in order to help for the company to increase their customer satisfaction, the researcher will go through each issue separately and purpose the suggestions.

Reliable shipping partners, e.g. freight forwarders

As it is being said before, the company has two main shipping partners: DHL and Heppner. In respect of the small packages, the estimated delivery time is within 3-4 days since the order has been dispatched. However, in respect of the pallet shipping, the estimated delivery time varies from 5 days for France and 7 days to United Kingdom. And such long delivery time, since the order has been dispatched, creates the most customer dissatisfaction.

Furthermore, shipping the order by pallet brings the damages during the transit that also increases customer dissatisfaction. The percentage of the damaged pallets counts as 23.72% out of all orders dispatched by pallet.

Therefore, it is possible to say that there are two main issues in regards of the shipping partners at the moment. Firstly, the delivery time that is being quite long. And secondly, is the percentage of the damage orders during the transit. Both this factors leads to the increase in customer satisfaction, as well as it brings extra costs for the company to ship the orders again. Therefore, in order to resolve this issue, the iSi GmbH should try to find alternative shipping partners that would be faster and can guarantee a small percentage of the damages occur during the transit. One of the example ca be Exact Logistics in UK that delivers within 4 working days and had only one damaged pallet during the trial period of a month. Another solution for the pallet delivery time can be the alternative shipping methods. For example, the company had a trial period of sending ceramic items with the special protection material, and it has significantly increased the delivery time as it is sent as a package.

Clear process for claims and warranties

Clear process of damaged and lost items is another big topic of the outbound logistics. In opposite to the previous problem, here is the issue is not at the damaged pallet shipments but at the damaged and lost packages by DHL.

The process of claiming the damage pallet with the shipping partners at the moment is pretty clear at the moment as it is passed to the insurance company directly. However, the communication with DHL in respect of the damaged and lost packages does not go that smoothly. As the company logistics department does not know the good procedure of claiming lost and damage packages, it leads to delay in the response to the customers about their orders. And delay response from the customer service also creates the dissatisfaction of the customers.

Furthermore, as DHL is quite a big international company, it is hard to get in personal contact with them and speed up the process. Therefore, in order to create a clear processes for both, customer service department and logistics department, the head of logistics or the head of the company should organise the meeting with the representative of DHL. This will help to build the scheme how to claim damaged and lost packages and as result it will be clear for all departments meaning the customer service could give their resolution answer to customers straight away.

7.3 Final suggestions

In the two previous paragraphs, the researcher has gone through all the issues that the company have regarding the logistics operations that can affect customer satisfaction. Therefore, in order to make the action plan clear, it is time to sum up all the presented information and present the general suggestions and solutions that are presented on the table below.

TABLE 8. Suggestions for iSi GmbH in logistics sector

Name	Suggestions & Solutions
Reliable delivery time between the manufacturer and warehouse	<ul style="list-style-type: none"> ➤ Implementation of the manufacturers' IT system into the EPN system of the company that the delivery time can be updated automatically ➤ Tracking of the long waiting orders
Warehouse performance	<ul style="list-style-type: none"> ➤ Employment of the head of the warehouse or warehouse manager that would be able to control the operations as well as communicate with the head office
Operational Mistakes	<ul style="list-style-type: none"> ➤ Check of the correspondence of manufacturer number and item number
Reliable shipping partners	<ul style="list-style-type: none"> ➤ Alternative shipping partners (Exact logistics) ➤ Alternative shipping methods (Special protection material)
Clear process for claims	<ul style="list-style-type: none"> ➤ Meeting with DHL representative

The Table 8 represents the main issues in regards of the logistics operations of the company that affects the customer satisfaction and its solutions. First problem is the reliable time between the manufacturer and warehouse, here the researcher purpose to implement the manufacturer's IT system into the EPN system of the company. This will allow to have an automatic update of the delivery time and this will allow to give the precise information about the delivery to the customers. Also, the tracking of the long waiting orders should also take place. This will show to the customers that the company cares about their order and update them respectively. The second problem is the warehouse performance. This issue can only be resolved by hiring the warehouse manager that would be able to control all the operations of the warehouse. The next problem is the operational mistakes that are taken place. Here, the researcher purposed to check the correspondence of all items to the manufacturer number to prevent ordering the wrong products. The forth issue of the company is the shipping partners. And as a solution, it is purposed to find the alternative shipping partners as well as alternative shipping methods that will increase

the delivery time and decrease the percentage of the damaged orders. Last but not least is the clear process for claiming lost and damaged packages. Here, the only solution can be - is the meeting between the DHL representative and head of logistics in order to build the clear process for claims.

8 CONCLUSION

This chapter concludes together all the information that has been collected during the research. The last chapter of this thesis is divided into two main aspects. Firstly, answers to the main research question as well as to the sub-questions, are presented. Secondly, the researcher presents validity and reliability of this study that is followed with by suggestions for the further research on this topic.

8.1 Answers for Research Questions

This research was focused on the logistics operations of the company and dependency of logistics performance on the customer service satisfaction. The case company wanted to find out the issues within the logistics activities of the company that can be improved in order to gain further customer satisfaction. This is why, the main research question was the following: ***How can a case company enhance customer satisfaction through logistics operations?*** Before presenting the answer to the main research question, the research goes through the sub-questions of this research. All sub-questions and answer are presented below.

What is the meaning of logistics in the business practice?

Logistics in the business world refers to the strategically managing movement of the goods and materials throughout the organization that aims to deliver goods to the end consumers in the most efficient way. Furthermore, depending on the movements of the goods, the logistics can be outbound, or inbound. As for the objectives of the logistics, it aims to create higher customer satisfaction, manage to have minimum damage to the products, offer reliability in the delivery performance, and reduce the costs and inventory. In addition, from the business practice perspective, the logistics activities involve customer service, transportation, inventory management, information flows, warehouse performance, materials, purchasing, packaging and information maintenance.

What is a start-up e-commerce company?

E-commerce business is trading goods via computer networks that includes the Internet. Thus, it can be said that e-commerce is a way of doing business online or through the online channels. Meanwhile, start-up is a human institution that is designed to create a new product or service under the conditions of extreme uncertainty. Therefore, if to combine those two meanings, it is possible to say that a start-up e-commerce company is a company that is selling and buying goods online under the conditions of extreme uncertainty.

How dependent is customer satisfaction of the company on logistics operations?

Based on the findings below, it is possible to say customer satisfaction is straightly dependent on logistics activities. The reason for it is that logistics is responsible for order cycle time, inventory availability, order fill rate, order status information, as well as for stock availability, reliable delivery time, product tracing and warranties. If all those activities will not be performed well, the customer service department will receive only complaints from the customers that will significantly decrease customer satisfaction.

After sub-questions are presented and answered, it is now possible to answer the main research question that is presented below:

How can a case company enhance customer satisfaction through logistics operations?

The empirical part of the research shows that logistics operations of the company has greatly evolved, however still needs some improvement. Furthermore, the findings present that the main problems of logistics that affect customer service lays down into both inbound and outbound sectors of the logistics. The main issues that impact on customer satisfaction are the reliability of the delivery time, warehouse performance, operational mistakes, shipping partners and processes for claims. Therefore, in order

to improve customer satisfaction through logistics operations, the case company should offer more reliable delivery time that can be solved by implementing the manufacturers' IT system into the EPN system of the company that can update delivery time automatically. The company should also manage the warehouse performance by hiring the warehouse manager. Furthermore, in order to prevent operational mistakes, which makes customers wait longer and as a result directly affects their satisfaction, the employees should check the correspondence of manufacturer number to the item numbers. Another aspect that can enhance customer satisfaction of the company, is to find new reliable shipping partners that would be able to deliver faster with minimum damage, or to use alternative shipping methods. Last but not least, if the company wants to improve their customer satisfaction, it should establish a clear process for claims that will reduce waiting time for the customers. And this can be solved by meeting with DHL representative.

8.2 Validity and Reliability

The main aim of the research is to find answers to the all assigned questions and conduct the action plan for the case company. As the answers for both main research question and sub-questions were found, it is possible to say that the objectives of this study were met. All the information that is presented in this research is collected from the secondary and primary data. Secondary data has been collected through the eBooks, books, internet sources and statistical information from the company. Meanwhile, the primary data has been collected from an interview and survey that has been distributed within the case company; and from survey that aimed to find out how logistics affect customer satisfaction of the end users of the B2C e-commerce. The number of all respondents to the both surveys and interview was 80 that is enough to conduct the findings of this study and make is reliable. Based on the facts that are provided, the research presented is valid and reliable.

8.3 Suggestion on Further Research

As it has been said before, this study focused only on the development of logistics operations in regards of customer satisfaction in the growing e-commerce start-up company. Therefore, to obtain more extensive results, further research on the dependency of logistics activities on customer satisfaction in different types of businesses is suggested. If the company grows internationally and will expand, a broader study would be also interesting for the case-company.

9 SUMMARY

The goal of the research was to provide in-depth knowledge about how logistics operations affects on customer satisfaction. The final aim was to conduct a development plan for the case company and to answer the research question of how the case company could enhance customer satisfaction through logistics operations.

The research has started with outlining the basic information about logistics and its activities that is combined together with the logistics management. In addition, the researcher also went through distribution and warehouse stages of the logistics operations. One of the main goal was to find out how logistics activities influence on customer satisfaction; thus the dependency of logistics and customer service had been discussed. Furthermore, as the development plan was conducted for the e-commerce start-up company, concept of e-commerce and start-up were presented.

The author wanted to investigate how the customer service performance and as a result company's performance is influenced by the logistics operations and therefore, an empirical surveys and interviews were conducted on the end-users of e-commerce and employees at the case company.

Lastly but not least, the final part of the study was to provide to the case company a development plan and suggestions on how the logistics operations should be improved in order to increase customer satisfaction. The researcher has used both theoretical data from literature and online sources and empirical data collected from surveys and interviews in order to conduct the development plan.

The findings displayed that logistics operations play a significant role in increasing customer satisfaction of the e-commerce start-up company and as a resultf increasing in the company's performance.

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APPENDICES

APPENDIX 1. Survey

Logistics review after purchasing online

1. Why do you choose to buy online?

- Door-to-door delivery
- Access to the webstore at any time and any place
- Bigger choice
- Information availability
- Other (please specify)

2. If your desire product is not available at the moment, how it would influence your consumer decision?

- Do not purchase item
- Will purchase later
- Will purchase substitute different brand
- Will purchase substitute same brand
- Will purchase at another store
- Other (please specify)

3. How important do you see logistics in B2C e-commerce companies?

Not Important	Rather important	Very Important	N/A
☆	☆	☆	○

4. Which logistics objectives do you believe are important for B2C e-commerce?

	Important	Rather important	Not important
Rapid Response, e.g Customer Satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Minimum Damage to the products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reliability in the delivery performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economy of freight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduction of inventory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify)

5. On score from 0-5 how would you grade the responsibility of logistics and logistics management of availability of the goods?



6. There are 5 online distribution channels, which one do you see as the most beneficial for eCommerce start-up company?

	Beneficial	Rather beneficial	Not beneficial at all
Social Networks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blogs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Widgets and gadgets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Browser extensions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Search engine optimization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify)

7. If the company has not-reliable delivery dates, what is going to be your reaction?

- Purchase at this store anyway
- Source from another online store
- Not purchase online at all
- Other (please specify)

8. What plays the major role when you choosing an e-commerce store?

- Good reviews
- Products availability
- Status update of your order
- Reliable delivery time
- Safe delivery

Other (please specify)

9. Which is your favorite online store and why?

APPENDIX 2. Survey among employee

Logistics at iSi GmbH

1. At what field do you work at the company?

- Content Management
- Customer Service
- Logistics

2. On scale from 0-5, how would you grade the logistics performance in the company?



3. Do you think logistics operations affect customer service satisfaction?

- No
- If Yes, how?

4. What do you see as the main problem in the logistics field of the company?

	Totally agree	Agree	Not sure	Disagree	Totally disagree
Miscommunication	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Warehouse performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delivery companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Management of logistics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. Do you believe that company performance and customer satisfaction is suffering from not-developed logistics activities?

Strongly believe	Rather believe	Not sure	Rather do not believe	Strongly do not believe
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. How do you think the logistics services can be improved?

- Better communication
- Better logistics management and planning of goods
- Alternative delivery companies
- Strong management of warehouse performance
- Logistics outsourcing
- Other (please specify)

7. Overall, are you satisfied with the logistics at our company, neither satisfied nor dissatisfied with it, or dissatisfied with it?

- Extremely satisfied
- Moderately satisfied
- Slightly satisfied
- Neither satisfied nor dissatisfied
- Slightly dissatisfied
- Moderately dissatisfied
- Extremely dissatisfied

8. What changes would this company have to make for you to give it a higher customer satisfaction?

APPENDIX 3. Interview

Interview

- 1) How well the logistics was developed when you have entered the company?
- 2) What was the main issue in regards of the logistics at this time?
- 3) What have changed since your first month in the company?
- 4) Do you see the dependency of the logistics activities on the customer service part of the company? If yes, how?
- 5) What do you see as the most threat for the company?
- 6) What are the main weaknesses of the logistics operations within the company?
- 7) How do you think the logistics can be improved?