



Faculty of Economics and Business

Beyond the Lens of Courier Service industry: Understanding Customer Satisfaction and Loyalty among Young Consumers in Malaysia

Belinda Lim Kim Moi

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**Beyond the Lens of Courier Service industry: Understanding Customer
Satisfaction and Loyalty among Young Consumers in Malaysia.**

Belinda Lim Kim Moi

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DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Malaysia Sarawak. Except where due acknowledgements have been made, the work is that of the author alone. The dissertation has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.



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Signature

Name: Belinda Lim Kim Moi

Matric No.: 21040013

Faculty of Economics and Business

Universiti Malaysia Sarawak

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ABSTRACT

This study delves into the courier service industry, concentrating on the satisfaction and loyalty of young consumers aged 18 to 35 years old in Malaysia. The primary aim was to examine the impact of Service Quality (SERVQUAL) dimensions on young consumers' satisfaction. The SERVQUAL model, which includes aspects such as reliability, assurance and empathy, was found to significantly influence customer satisfaction. The study employed a quantitative approach, surveying 169 participants and analysing the data using Smart PLS 4.0 software, ensuring robust and reliable findings. Another key objective was to explore the relationship between customer satisfaction and loyalty among young consumers. Results indicated a strong, positive correlation, suggesting that satisfied customers are more likely to remain loyal to a specific courier service. Additionally, the study investigated the moderating effect of perceived value on the satisfaction-loyalty relationship. However, this effect was found to be insignificant, implying that perceived value while important, does not significantly modify the satisfaction-loyalty dynamic in this context. This study offers valuable insights into the dynamics of customer satisfaction and loyalty in Malaysia's courier service industry, highlighting the crucial role of service quality and perceived value in fostering customer loyalty. These findings provide actionable implications for industry practitioners and policymakers, supporting the growth and success of the courier service market in Malaysia. Ultimately, the study aims to enhance understanding, facilitate data-driven decisions, and promote long-term customer loyalty in the industry

Keywords: Courier Service Industry, Young Consumers, Customer Satisfaction, Customer Loyalty, SERVQUAL.

Melebihi pandangan industri Perkhidmatan Kurier: Memahami Kepuasan Pelanggan dan Kesetiaan di kalangan Pengguna Muda di Malaysia.

ABSTRAK

Kajian ini menyelidiki industri perkhidmatan kurier, dengan menumpukan perhatian pada kepuasan dan kesetiaan pengguna muda berumur 18 hingga 35 tahun di Malaysia. Tujuan utama kajian ini adalah untuk menilai kesan dimensi Kualiti Perkhidmatan (SERVQUAL) terhadap kepuasan pengguna muda. Model SERVQUAL, yang merangkumi aspek seperti kebolehpercayaan, jaminan, dan empati, didapati mempunyai pengaruh yang signifikan terhadap kepuasan pelanggan. Kajian ini menggunakan pendekatan kuantitatif, dengan meninjau 169 peserta dan menganalisis data menggunakan perisian Smart PLS 4.0, memastikan penemuan yang kukuh dan boleh dipercayai. Objektif utama lain adalah untuk meneroka hubungan antara kepuasan pelanggan dan kesetiaan di kalangan pengguna muda. Hasil kajian menunjukkan terdapat korelasi positif yang kuat, menunjukkan bahawa pelanggan yang berpuas hati lebih cenderung untuk tetap setia kepada perkhidmatan kurier tertentu. Selain itu, kajian ini menyiasat kesan moderasi nilai yang dirasakan terhadap hubungan kepuasan-kesetiaan. Walau bagaimanapun, kesan ini didapati tidak signifikan, menunjukkan bahawa nilai yang dirasakan, walaupun penting, tidak secara signifikan mengubah dinamik kepuasan-kesetiaan dalam konteks ini. Penyelidikan ini menawarkan pandangan berharga mengenai dinamik kepuasan dan kesetiaan pelanggan dalam industri perkhidmatan kurier di Malaysia, menekankan peranan penting kualiti perkhidmatan dan nilai yang dirasakan dalam memupuk kesetiaan pelanggan. Penemuan ini memberikan implikasi yang boleh dilaksanakan untuk pengamal industri dan pembuat dasar, menyokong pertumbuhan dan kejayaan pasaran perkhidmatan kurier di Malaysia. Akhirnya, kajian ini

bertujuan untuk meningkatkan pemahaman, memudahkan keputusan berdasarkan data, dan mempromosikan kesetiaan pelanggan jangka panjang dalam industri ini.

Kata kunci: Perkhidmatan Kurier Industri, Pengguna Muda, Kepuasan Pelanggan, Kesetiaan Pelanggan, SERVQUAL

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
AVE	Average Variance Extracted
BFSI	Banking, Financial, Services and Insurance
B2B	Business to Business
B2C	Business to Consumers
B2G	Business to Government
CAGR	Compound Annual Growth Rate
CEP	Courier, Express and Parcel Services
CouQual	Courier Service Quality
COVID-19	Coronavirus Disease
C2C	Customer to Customer
DINESERV	Service Quality for Restaurant Services
DHL	Dalsey Hillblom Lynn Express
DOSM	Department of Statistics Malaysia
D2C	Direct to Consumer
E-commerce	Electronic Commerce
eWOM	Electronic Word-of-Mouth
FedEx	Federal Express
fWOM	Face-to-Face Communication
GDEX	GD Express Sdn Bhd
GDP	Gross Domestic Product
GWIndex	GlobalWebIndex
GPS	Global Positioning System
HOLSAT	Holiday Satisfaction

HTMT	Heterotrait-Monotrait
IBM SPSS	Statistical Product and Service Solutions
MAC	Malaysian Aviation Commission
MAVCOM	Malaysian Aviation Commission
MCMC	Malaysian Communications and Multimedia Commission
MCO	Movement Control Order
MDA	Malaysian Digital Association
MDEC	Malaysia Digital Economy Corporation
MIDA	Malaysia Investment Development Authority
MSME	Micro, Small and Medium Sized Enterprises
MyDIGITAL	Malaysia Digital Economy Blueprint
MYR	Malaysia Ringgit
NESR	National E-commerce Strategic Roadmap
NFI	Normed Fit Index
NLTF	National Logistics Trade Facilitation
NTP	National Transport Policy
PAKEJ	Pelan Accelerator Kurier Negara / National Courier Accelerator Plan
PLS- SEM	Partial Least Squares-Structural Equation Modelling
RM	Ringgit Malaysia
SERVQUAL	Service Quality
Smart PLS	Software with Graphical User Interface for Variance-Based Structural Equation Modelling
SME	Small and Medium Enterprises
UAE	United Arab Emirates
UNIMAS	Universiti Malaysia Sarawak

UK	United Kingdom
USD	United States Dollar
US	United States
TEU	Twenty-foot Equivalent Unit
TSL	Transport, Spedition and Logistics
WOM	Word-of-Mouth
3PL	Third Party Logistics Services

CHAPTER 1

INTRODUCTION

1.1 Introduction

The global logistics industry is increasingly advanced and complex due to diverse sector demands, driven by international trade expansion and globalization. Companies seek comprehensive logistics solutions and effective end-to-end services. The US-China trade war and the global pandemic have also forced businesses to restructure operations and relocate warehouses. Malaysia, centrally located in ASEAN, sees this as an opportunity to promote itself as a regional logistics hub (MIDA, 2021).

In 2020, the Asia-Pacific logistics sector became the world's largest, valued at approximately \$3.9 trillion (Zakiuddin, 2021). Logistics services facilitate business exchanges through transportation, storage, and distribution across B2B, B2C, and C2C networks. The logistics sector, valued at around €8.4 trillion in 2021, is expected to reach €13.7 trillion by 2027 (Businesswire.com, 2022). Global logistics expenses rose to \$9 trillion in 2020, with the global GDP at \$85.24 trillion, making up 10.7% of the total (Placek, 2023).

In Malaysia, the logistics sector contributed 3.8% to GDP in 2019. Trade activities grew with a CAGR of 6.5% from 2013 to 2018, and transportation-related activities saw a 3% CAGR in the same period. Government initiatives like the National Logistics Trade Facilitation (NLTF) 2015–2020 and National Transport Policy (NTP) 2019–2030 aim to increase the logistics sector's GDP contribution to 8.9% post-2020 and internationalize the industry within regional trade integration.

1.1.1 Courier, Express and Parcel Services (CEP)

The "Courier, Express, and Parcel Services" (CEP) refers to postal and logistics companies specializing in transporting lightweight and small-volume goods. In Malaysia, the CEP market includes B2B, B2C, and end-user segments such as BFSI, retail and wholesale (including E-commerce), healthcare, manufacturing, and others (Mordor Intelligence, 2023).

Courier services, a subset of the Transport, Spedition, and Logistics (TSL) sector, are crucial in logistics supply chains for trading, manufacturing, and service businesses (Jarocka and Wang, 2018). The global CEP market has been growing rapidly, valued at \$306 billion in 2018, and is expected to reach \$400 billion by 2024, with an annual growth rate of 8-10% (Statista, 2019).

In Malaysia, the CEP market is predicted to grow at a CAGR of over 9% during the forecast period, driven by substantial e-commerce and pharmaceutical sales growth despite the global pandemic and administrative changes in 2020. The primary challenge for CEP companies is to handle orders reliably and efficiently, ensuring customer satisfaction through timely deliveries (Mordor Intelligence, 2023).

In 2021, Malaysia ranked 35th in global e-commerce markets, generating approximately \$6.3 billion in revenue. The Malaysian e-commerce sector grew by 30% in 2021, contributing to the 15% global market expansion. Malaysia is projected to maintain an annual growth rate of 15% between 2021 and 2025, exceeding the global average growth rate of 6% (Mordor Intelligence, 2023).

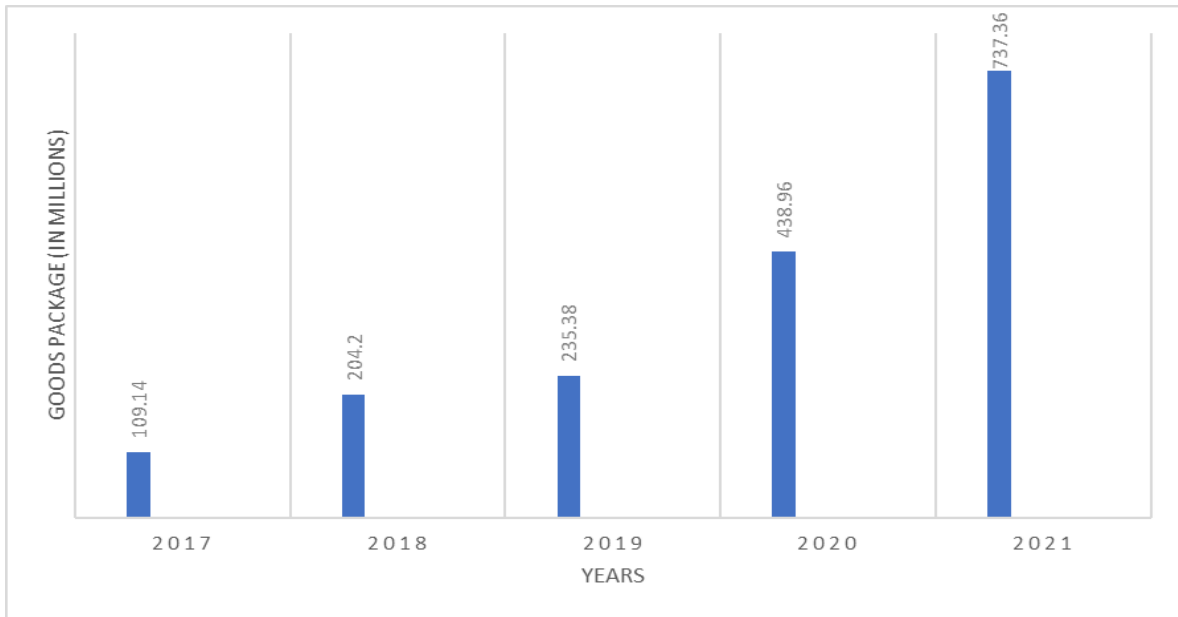


Figure 1.1: Amount of local courier items carried by Malaysian courier service providers between the years of 2017 and 2021, expressed in millions

Source: Statista (2021)

Figure 1.1 shows the amount of local courier items in millions, that were delivered by Malaysia courier service providers from the year 2017 to 2021. It shows a significant increase from 109.14 million packages delivery in the year 2017 to 737.36 million packages delivery in the year 2021 with a growth of nearly 70%.

Malaysian businesses achieved RM279.0 billion in e-commerce revenue during the third quarter of 2021, reflecting a 17.1% surge compared to the corresponding period in the previous year. The growth trend continued steadily on a quarterly basis, registering a 4.3% increase. From January to September 2021, cumulative e-commerce sales amounted to RM801.2 billion, marking a substantial 23.1% rise compared to the same period in the previous year (DOSM, 2022).

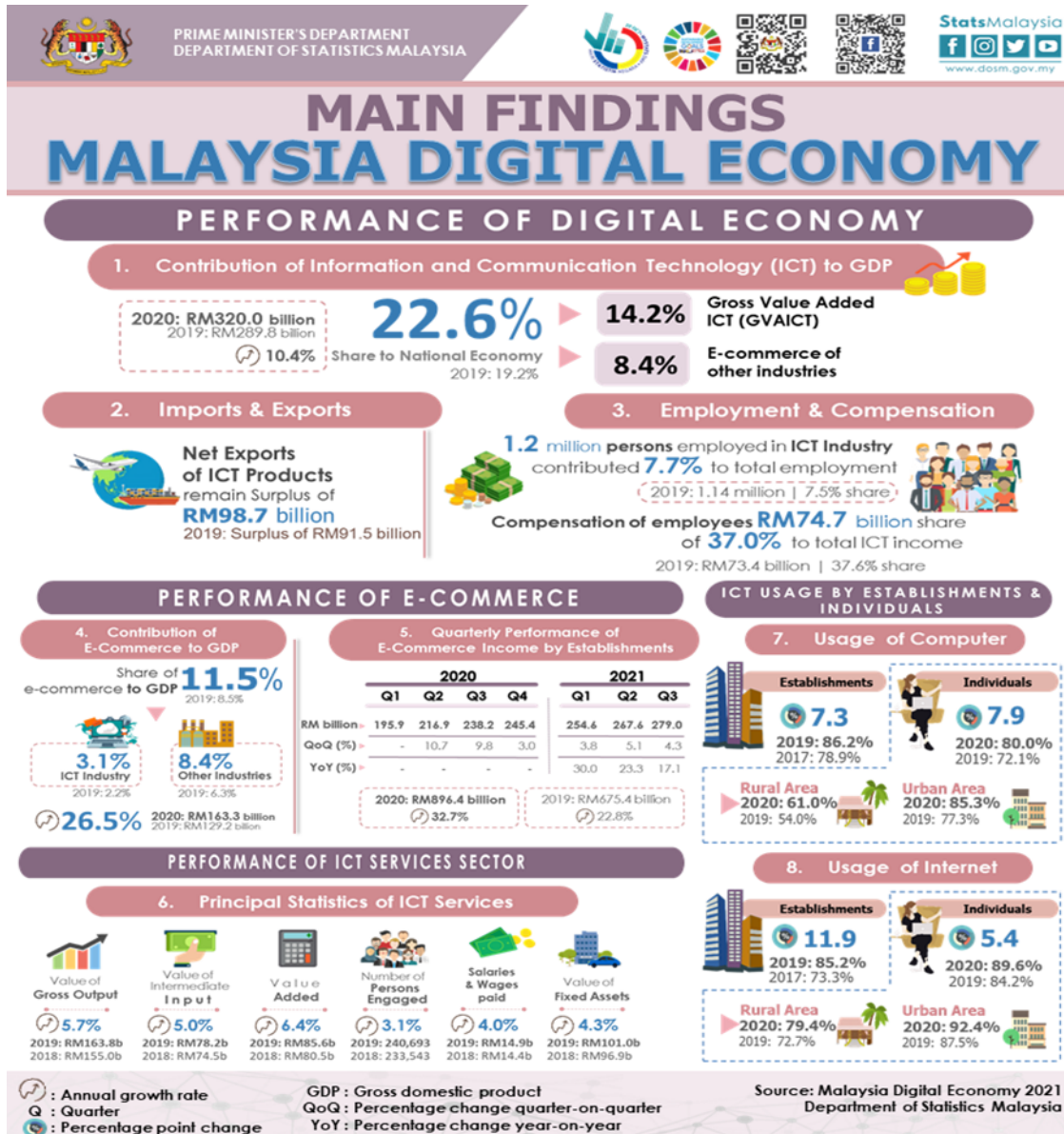


Figure 1.2: Main findings Malaysia Digital Economy

Source: Malaysia Digital Economy 2021, Department of Statistics Malaysia (DOSM).

In Malaysia, e-commerce's contribution to GDP rose from 8.5% in 2019 to 11.5% in 2021. In 2020, the sector contributed RM163.3 billion to GDP, up from RM129.2 billion in 2019, marking a 26.5% increase (Malaysia Digital Economy 2021, DOSM). In 2022, e-commerce revenue in Malaysia reached RM1,099.7 billion, a 6% growth from previous years. In 2021, revenue was RM1,037.2 billion, a 23.9% increase from RM675.4 billion in

2019 (DOSM, 2022). The year 2021 saw a significant rise of RM1.1 trillion in e-commerce revenue, a 21.8% overall increase. The wholesale and retail commerce sub-sector added 50,575 jobs (2.7%), and transportation and storage added 13,507 jobs (4.2%).

Online shopping revenue grew by 32.7%, reaching RM896.4 billion in 2020. Quarterly revenues were RM195.9 billion (Q1), RM216.9 billion (Q2), RM238.2 billion (Q3), and RM245.4 billion (Q4). The first quarter of 2021 saw a 30% year-over-year increase, totaling RM254.6 billion (DOSM, 2022).

1.1.2 E-commerce

E-commerce is pivotal for the growth of Malaysia's e-commerce sector and businesses, particularly MSMEs. In alignment with the National E-Commerce Strategic Roadmap (2021), e-commerce transaction revenue surpassed RM1 trillion for the first time, aiming for RM1.65 trillion by 2025. From 2017 to 2019, e-commerce revenue for businesses increased by 22.8% to RM675.4 billion. Local market revenue rose by 21.7% to RM591.8 billion, while the global market saw a 31.9% growth to RM83.5 billion. B2B contributed 13.0% growth, reaching RM449.6 billion. B2C saw a significant 53.3% growth, totaling RM194.0 billion, and B2G increased by 55.7% to RM31.8 billion (DOSM, 2022).

E-commerce spending rose by 14.8% to RM301.5 billion. Local market spending increased by 15.3% to RM269.6 billion, and international market spending grew by 10.8% to RM31.9 billion. B2B spending rose by 14.1% to RM277.6 billion, B2C spending increased by 24.6% to RM14.8 billion, and B2G transactions surged by 22.6% to RM9.1 billion (DOSM, 2022).

From 2015 to 2016, e-commerce transaction revenue grew from RM398.2 billion to RM447.8 billion, a 6.0% annual growth rate. In 2017, Malaysia's domestic market accounted