

Midocean University

Faculty of Management

Department/ specialization Project management



The Effect of Delivery Service Costs on Customer Attraction

"Case study"

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Graduation Project - 1

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Introduction

The cost of a delivery service: is the amount of money paid to a delivery company or shipping company to transport goods or packages from one place to another. The cost of the delivery service depends on several factors such as distance, weight, and speed of delivery

Attracting customers: is crucial in achieving the company's goals, as it greatly contributes to increasing sales and profits. By attracting new customers and retaining current ones, the company's reputation is enhanced and relationships with customers are improved.

During the emergence of the COVID-19 pandemic, business owners were significantly impacted, leading to notable changes in how they operate. One of the prominent shifts was towards digital transformation, as many turned to online platforms and applications to deliver their products and services in response to health restrictions and social distancing measures. Consequently, delivery services gained prominence, highlighting the importance of delivery service costs in attracting customers.

"The cost of delivery service plays a crucial role in customers' decision-making processes, particularly in the retail sector such as Noon, where convenience and accessibility are key factors. This scientific study aims to explore the direct relationship between delivery service cost and customer attraction."

Chiang and Dholakia (2003) demonstrate in their study that consumers particularly value higher convenience in terms of the lower search costs in online shopping. The overview of Wolfinbarger and Gilly (2003) reveals that most studies investigating satisfaction with online shopping only include online aspects, such as how easy it is for the consumer to use the web site, the consumer's perceived control on the web site, and the speed of the web site.

However, in making the decision of whether to utilize the internet or to shop at the nearest retailer, the entire process will be evaluated, meaning that a consumer assesses the trade-off between the potentially lower transaction costs for searching and ordering online (Chiang and Dholakia, 2003) and the expected effort for receiving the product. Only a few studies such as Novak et al. (2000) include the aspect of quick delivery and show that over half of the consumers regard it as important for the overall experience of online shopping

The retail sector faces numerous challenges regarding the cost of delivery service, which can significantly impact customer attraction. and increasing competitive pressure to determine how best to deliver products purchased online to the end customer(, F., & Martins,2024). This research aims to analyze the obstacles encountered by retail companies regarding the

cost of delivery service and how they affect these companies' ability to attract and retain customers.

Impact on Customer Attraction:

Reducing the cost of delivery service can increase customer attractiveness and encourage them to purchase from the company.

Improvement in the delivery experience, including speed and accuracy, can enhance customer satisfaction and increase their loyalty to the company.

This study sheds light on the obstacles faced by the retail sector in the cost of delivery service and their potential impact on customer attraction. By understanding these obstacles and working to overcome them, companies in this sector can improve the quality of their services and increase their attractiveness to customers in the fiercely competitive market.

Research Problem

The retail sector faces numerous challenges regarding the cost of delivery service, which can significantly impact customer attraction.

- **Theoretical gaps**

The impact of delivery service cost on attracting customers lies in several aspects. **Firstly**, the cost of delivery service can be a key factor in influencing the customer's decision to make a purchase or not, as it can significantly increase the price of the product or service, reducing the customer's ability to buy it.

Secondly, customers nowadays are more knowledgeable and aware of the prices of goods and services, so they may resist paying a high delivery cost and prefer to search for reasonable or even free delivery costs.

Lastly, the cost of delivery service can affect the customer's repeat purchase behavior, as the customer may avoid purchasing from the same store in the future if the delivery cost is too high

- **Empirical gaps**

- **1-High Operating Costs:** Increased operating costs, including labor, fuel, and maintenance costs, can lead to higher delivery service costs and reduce their attractiveness to customers.
- **2- Technological Challenges:** Modern delivery technologies such as drones and artificial intelligence may face technical obstacles such as regulations and outdated technologies used in some areas.
- **3- Logistical Challenges:** Weather conditions, traffic congestion, and other logistical constraints can affect the efficiency and cost of delivery operations.
- **4- Service Expansion:** Expanding the service range and providing delivery services to new areas can increase challenges and affect the overall cost of the service.

- **Main research question**

How can the cost of delivery service affect customer attraction?

Research significant

This study sheds light on the obstacles faced by the retail sector in the cost of delivery service and their potential impact on customer attraction. By understanding these obstacles and working to overcome them, companies in this sector can improve the quality of their services and increase their attractiveness to customers in the fiercely competitive market.

- **Theoretical gaps**

Delivery service cost in attracting customers is crucial for the success of any business that relies on delivery to its customers. Through scientific research, companies can identify customer needs and develop delivery services that better meet those needs in a more efficient manner.

- **Empirical gaps**

Help the retail sector to Understand how costs affect strategies to attract and retain customers and analyze data related to them and Determine the ideal price that suits the operational cost of the delivery process, starting from receiving the order to the delivery stage to the customer and achieving profits for the company and helping the retail sector develop an emergency plan to reduce the consequences of losses during crises. Additionally, scientific research can also help companies identify new trends and innovations that can make delivery service more attractive to customers.

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