Loyalty Program for Truck Drivers: A Reward Based Model to Support Basic Needs of Truck Drivers and Enhance Logistics Performance

Sikha Prasanna Kumari[1], Dr. Prashant Barge[2]

[1] Student, Symbiosis Institute of Operations Management, Nashik, India
[2] Assistant Professor, Symbiosis Institute of Operations Management, Nashik, India
Email: [1]sikha.prasanna@siom.in, [2]prashant.barge@siom.in

ABSTRACT

In the transportation system the major role is played by the truck drivers. They drive miles to ensure that the goods consigned reach the customers in right time no matter what the weather is, but these truck drivers are going through miserable life which is causing the driver base shrinkage since the past decade. Most of the truck drivers are illiterate and also facing financial issues. It's time for the companies to take an initiative to understand driver problems, make them feel valued and ensure their financial stability to protect their driver base. Current research is focused on understanding driver problems and proposed a loyalty program model with key parameters to be included to reward the drivers based on their performance and proposed the features to be included in the application based platform for the tracking of the points by the drivers to enhance internal competition and motivation to take more trips which benefits both the industry and the driver.

Introduction

In today's competitive environment, the major problem faced by the industries are driver base shrinkage especially during festive days and exigency situations. It is estimated that by 2022 the driver base is expected to shrink up to 40%, pushing the companies to drive standard loyalty programs for drivers to create the healthy working environment and resolve the major issues faced by the drivers. It is the responsibility of the company to save the fleet's biggest resource to ensure the smooth work flow in the future competitive world. Companies should accept the fact that the drivers are the key medium between the organization & customers and should be valued & recognized for their work. In most of the cases driers are not being provided with the basic facilities like rest rooms, proper safety wearable and canteen facilities especially for those who are travelling distant and staying away from the family for days.

The hierarchy of the basic needs, wants and desires of the drivers include Dorms, food, water, safety, peer relationships, value, recognition under basic and opportunities, Rewards & authentic leadership under desires. Organizations need the fleets' biggest resource to deliver the ordered products to the customers more efficiently. But in the current scenario due to the increased health issues and financial instability, drivers are opting for other source of income. It is the right time for the organization to run the loyalty programs for drivers to ensure the financial stability & security and engage them with the organization.

Top Reasons for driver loyalty program includes retaining the drivers, witnessing the improved performance through their engagement, increasing driver morale, ensuring driver safety, Brand promise and Financial stability of drivers. Criteria considered by the global industries for driving the loyalty programs for drivers include Attract new drivers, Longer driver tenure, Safe driving Fewer accidents and Improved CSA score.

The current research paper discusses on:

1. Problems faced and needs & desires of the truck drivers

2. Driver loyalty program model and basic parameters to be included in the program to give financial support to the drivers

3. Features required in an app based platform for the implementation of the program

4. Benefits out of the program for both driver and organization

5. Conclusion and future research study scope

Literature review

Organizations are focusing on improvising the effectiveness and efficiency of the supply chain by developing demand oriented, responsive and process driven supply chain (Alvin and Babu, 2013). The important resource of the modern day supply chain is truck driver, who is responsible for delivering the products to the customers at right time ensuring customer satisfaction. Companies are expected to increase their market share by giving reliable and on-time delivery services to the customers with the help of truck drivers (Stank, et al., 2003). The relationship of delivery services and truckers is explained as, drivers are operating the trucks in such a way that it affects the delivery performance, fuel efficiency and operating costs which in turn affects the customer satisfaction by providing the goods on time (Keller and Ozment, 1999). In the discussions of "operational and strategic importance of empowering frontline service staff in third party logistics" it is mentioned that the drivers play major role in facilitating functions of the supply chain (Ellinger, et al., 2010). The job satisfaction and performance levels of the truck drivers are inversely proportional to the turnovers and it is estimated that the driver turnover is the major cause of supply chain disruption (Cantor, et al., 2011). As per the study conducted by Leymay and taylor , the turnover rate of the driver in the industry is 300% (Leymay and Taylor, 1988) Many individual and social issues are impacting the drivers performance and their job satisfaction which are affecting the availability of the drivers in the organization (Wildgoose, et al., 2012). Many conceptual and managerial linkages are involved in role conflict & ambiguity, internal communication, emotional exhaustion and identification of the truck drivers (Kemp, et al., 2013). A study on the factors nurturing internal supply chain integration, it is mentioned that the efforts of supply chain integration are being contributed by truck drivers by effective distribution (Basnet and wisner, 2012).

It is crucial to understand the problems of the truck drivers and factors that effects the performance of the drivers (Policies, behaviors, working environments etc.,) to retain them with the company and ensure the job satisfaction to the drivers. Lives of the truck drivers are also influenced by the nature and the formal and informal controls imposed by their employers that impact performance of the drivers and operational performance which ultimately impacts market performance (Saldanha, et al., 2013). Long distance truck drivers are facing many challenges during the work and also distant from the family and home (Mitchell, et al., 1990).

It is estimated that in the near future, the driver base shrinkage will happen, since drivers are facing issues in their profession where financial stability is the major concern. This may lead to the loss of fleet's biggest resource (Driver) where he acts as a bridge between the Company and Customers. As per the discussion of Bode et al on the pivotal function of truck drivers in their study of truckers' impact on customer purchase behaviour, the findings suggested that there is a positive direct effect of personal contact quality, as provided by a delivery person, on sales (Bode, et al., 2011).Some of the parameters that might retain the drivers in the company are safety, pay scale, Development of career, recognition by the company, respect and responsibility from the management (Williams, et al., 2011). It is observed that the truck drivers in their profession needs independence, exploring opportunities and financial stability (Johnson, et al., 2009). As per the study conducted by Goffnett et.al, the identified career satisfiers of the drivers are challenges, variety, positive culture, pay sale, recognition and relevance. Categories that are dissatisfying drivers and making them to leave their profession are overload, negative culture, lack of recognition for their work, low pay sale, lack of opportunities and family conflicts (Goffnett, et al., 2012)

Introduction of the loyalty programs for the drivers to maintain the key issues mentioned above, makes them loyal towards the organization and organization can also benefit out of the program with improved performance of the drivers which drives the profits and customer satisfaction. Procedural justice to the vehicle drivers mentions the impact of fair decision making process on attitude and behavior of the drivers is connected with the decisions of organizational authorities (Thibaut and walker 1975; Lind and Tyler 1988; Moorman 1991; Korsgaard et al. 1995; Moorman et al. 1998) Study of Lamere et.al on driver incentive system has showed the significant impact on truck

driver's performance, safety and satisfaction with their profession (LaMere, et al., 1996). The incentive pay has been increased twice, if the performance of the driver is satisfactory and engagement of the driver through feedback. In this system drivers has been allocated points as per their performance in the assigned tasks and also witnessed the decrease in the accidents and increase in the driver's satisfaction. Hopkins mentioned that, although pay for performance literature is extensive, it provides long term effects of individual monetary incentives and awarding the monetary incentives for aligning the efforts of the resources with objectives of the company improvises the productivity (Hopkins, 1992). Research conducted by Wenger indicates that truck drivers considered money, an interest in trucks, driving, the truck-driving community, and freedom as their primary incentives for becoming truck drivers (Wenger, 2008). Organizations has to choose the individual monetary incentive system rather than the cooperative incentive system to drive the competition within the resources. A survey on the driver s commitment to the companies, it is observed that the drivers with more education and experience likely to leave the industry (Beilock and Capelle, 1990). Operational work variables impacts the turnover decisions of the drivers rather than the traditional demographic variables. The dispatcher effect, drivers hazard rate significantly affected the quality of dispatcher and by pay and the drivers who are paid high or satisfied with their pay sale are less likely to quit their job (Suzuki, et al., 2009)

Based on the literature review it is observed that the major concern of the drivers is financial stability along with other issues like recognitions, work culture, basic facilities etc., current research paper is focused on proposing a loyalty program model that ensures financial stability of the drivers based on their performance. This will help the organizations to retain the drivers and make them loyal by creating the friendly environment to the drivers. This initiative helps the drivers not to leave their profession and make them feel valued and recognized.

Methodology

Driver loyalty program: It is mainly to satisfy the needs of the drivers and make them loyal to the organization. This loyalty model focuses on financial stability of the drivers and improvising logistics performance

Benefits of the loyalty program:

• Assures financial stability of the drivers

• Driver availability especially during exigency situations

• Encourages drivers to ship more quantity

• Utilization of the trucks will be increased

• Brand promising

• Creates healthy internal competition within the drivers to take more trips

• Increased OET (Order Execution time)
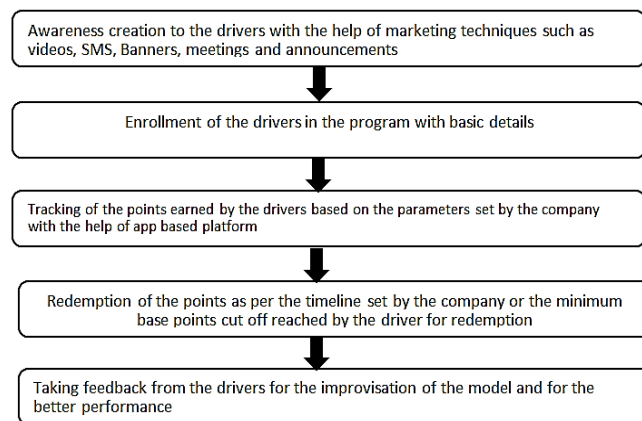
Model of the loyalty program:

Fig 1: Loyalty program model for the drivers

Step1: Enrollment of the drivers in the program

Company can keep the criteria for the eligibility i.e., either they can include all the drivers or the dedicated drivers in the program. Drivers can be enrolled in the program by providing basic details such as Name, Mobile number, driving license number, AAdhaar details and Bank details

Step2: Points distribution based on the key parameters

Points will be awarded to the drivers based on their performance in each trip with respect to the below parameters

1.   Points for registering

Driver will get a minimum base points for enrolling in the program by providing basic details under enrollment points parameter

2.   Points for each trip

Driver will be awarded points based on the quantity shipped and distance travelled. For example if a driver is shipping 50MT quantity of the product and travelling a distance of 100km, points awarded will be 50*100=5000 points

Points for each trip = Quantity dispatched*Distance travelled in a trip

3. Points on festival days

To engage drivers with the organization, we need to make them feel valued that we are with them in most of the aspects which includes festival days. Points will be credited to the drivers on each festival day, resembling that we are engaging with them socially

4. Points for working in exigency situations

In the current situations like COVID-19, many industries are losing drivers, the key element to drive product safely to the customers and acts as a connection between industry and the customer. Awarding reasonable points to the drivers as a recognition for working in the tough situations motivates them to improve the working efficiency

5. Points for not involving in accidents

In the logistics, the common issue with the drivers is engaging in the accidents. This initiative will help the drivers to drive safely by taking preventive measures and also ensures that the product has reached safely to the customers

As per the requirements of the respective industry, some of the key parameters can also be added to the above mentioned basic parameters. Decision on awarding points for each parameter will be taken by operational team.

Step 3: Earned points redemption

Points earned by the drivers as per their performance can be redeemed in form of monetary value, providing company attire (also acts as a brand promotion), providing grocery items etc.; It depends on the company to take the choice that best suits and meets the basic requirements of the drivers. This enhances the loyalty in the drivers and leads to emotional connection with the company. Company also need to choose the time line and expiration dates for the redemption of the points and ensure that the process is going as per the schedule.

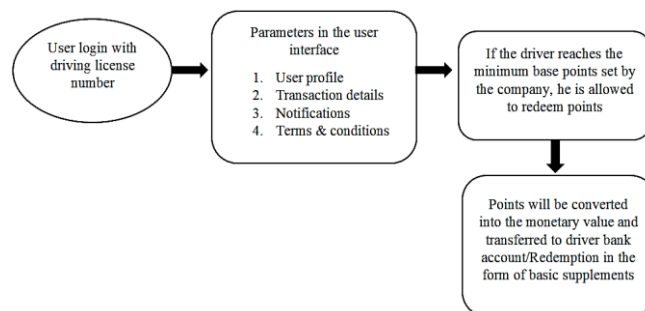## Application based platform for the model:

Fig 2: Loyalty model working process with App based platform

User profile:

User profile of the drivers will be created with the basic information such as Driver name, mobile number, Driving license number, AAdhar details and bank details

Transaction details:

This section consists of all the transaction details of the driver such as points earned by the driver under each of the parameters mentioned, Points yet to be earned for the redemptions, number of points redeemed etc., with date and time. This helps the driver to track his performance and acts as an intrinsic motivation to take more trips

Notifications:

Notification section contains the information that the company wants to share with the drivers. For ex: Any change in the points distribution system, messages on festive days, Additional points distribution on the trips during exigency situations

Terms and conditions:

Details about the expiration of the points, redemption methods, points to monetary value conversion details, details about the hygiene factors will be discussed in this section

Feedback is necessary when implementing such models in the company, to know the progress and further improvisation. Application is user friendly with all the details in the native language and the GUI will be simple to understand. In case of the driver is not having smart phone for this application he will be provided with the toll free

number where he can track the points and redeem when the cutoff points reached.

Backend portal of the application:

Back end portal of the application will be managed by the Primary Admin and the sub users

Primary Admin: Manages the details of the company and modifies the basic portal according to the company requirements. Primary admin will be responsible for adding the subusers, edit the profile details of the members involved in the backend portal and manages the passwords

Subusers: Manages the details of the drivers by fetching the data from SAP with the help of API's. They can set the rules for the loyalty points, redemption limits, expiration dates and send notifications to the end users i.e., drivers. Imported data file should contain the details of Transaction date & time, invoiced quantity & Distance against the mobile number and driving license number with Plant ID for accurately calculating the points earned by individual driver on each trip

Benefit to the driver:

Driver can earn additional income other than the monthly wages, which can support him financially to some extent. They feel valued and connects with the company. Additional income range is dependent upon the performance of the driver. The more trips he takes the more he earns.

Benefit to the company:

1. Loyal driver partners to the company
2. Profits will be maximized since the contribution increases with respect to the quantity shipped
3. Availability of the drivers during exigency situations
4. Order execution time will be reduced which results in the customer satisfaction

Key discussions on the model

Decision on Points to rupees conversion factor will be decided by the operations team which requires Cost benefit analysis to decide on the conversion factor. Some of the limitations of the program is not all the drivers has bank account

details, so before implementation, we need to ensure that the drivers participating in the program has opened bank account. Operations team should decide on the redemption mode (Monetary value, Grocery items, Company attire etc.,) which satisfies the basic needs of the drivers to make them feel valued by the organization. Drivers who don't have smart phones are unable to read can opt for toll free call method where they can dial the sub users of the backend portal to track the details of the points earned and redemption.

Conclusion

In the current scenario of shrinking driver base, there a necessity for loyalty program to retain the drivers and make them feel valued for their profession. This research paper has discussed the problems faced by the drivers which is leading them to leave the profession. A loyalty model has been proposed for the industries with basic parameters that has to be included where in the future research work additional parameters can be analyzed and added to the present model as per the requirements of the industries. It has also discussed about the parameters to be included in the user interface which has to be simple for easy understanding by the drivers and resources responsibilities in the back end portal of the application giving the further research scope on API's to be considered and data fetching methods to fetch required data from the SAP to the backend portal and also impact of the program & behavioral analysis of the drivers after the implementation of driver loyalty program.

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