

## Achieving Customer Service Excellence

Effective supply chain management practices can have a positive impact on customer service levels. Since the subject of customer service is so broad, let's focus on something that can help provide positive impacts on improving customer service....Measurement. What would your customers say about your performance?

We seem to need periodic reminders that customer service is king. Not long ago, I called the president of an airline to complain about a bad experience. I prepared what I wanted to state in my voice mail but I didn't get the chance. Guess What? He answered his phone. He told me that he wanted to speak to his customers to get a sense for what they wanted. Talking to his customers was an activity that could help quickly measure what he was most interested in....his customer's opinions.

Typically measurements are used exclusively to evaluate past performance. Consider that they can also be effectively used to influence future performance.

We recently conducted a study for a company that was interested in determining how to analyze or anticipate order fill rate failure. The company knew at a high level that its fill rate was not acceptable either from its customer's perspective or its own. They had never looked in to the root causes of the order fill rate failures. Anticipating failures would allow the company to influence change but more importantly, allow the company to recognize that certain failures based on predictable circumstances could be avoided.

The company was able to track order fill rate failure based on order type, day of week, region. etc. Furthermore, they could track by other dimensions such as function (customer, carrier, and warehouse). That allowed them to drill in on the areas where the problems occurred or had a high probability of occurring.

With that information, the company was able to measure fill rates by function, develop a scorecard, and review all the fill rate issues on a weekly basis. It allowed the company to focus its attention on areas where it could influence change.

The following table shows the total number of failures by function and the percentages of total failures. It easily shows where the major failures occur. In this case, a key customer was consistently deviating from the receiving schedule. 72.81% of all late orders are customer driven.

<b>Total Orders</b>	12111	2265 Late
<b>Function</b>	<b>% of Total</b>	<b>% of Late Orders</b>
<b>Carrier</b>	3.8%	20.56%
<b>Warehouse</b>	.45%	2.43%
<b>Customer</b>	13.62%	72.81%

The following table shows that failures on Friday were significantly higher than other days. It also breaks down failures by region.

<b>Customer</b>	<b>4 lanes</b>	<b>Tuesday</b>	<b>Friday</b>
<b>Orders</b>			
434 / 1650	344 / 434		
Region A			60.5% failure
Region B			67.1% failure
Region C		41.4% failure	
Region D		55% failure	

Initially, the people responsible for most of the failures were surprised by the results. For example, the warehouse was not aware that they consistently missed its quota of “picks” on specific days. Now they could develop a plan to correct the situation. It turned out that the carrier that continually wanted to cube out its freight lanes by sacrificing on time delivery had not considered the impacts of such a decision. The customer that regularly disregarded receiving schedules could be made aware of the implications of such actions.

This type of measurement can be used by all functions of a company dealing with the supply chain whether it’s the parts producer, a 3PL delivery company, the engineering division, the spares management group or the customer. Depth of metrics can be an issue as companies have varying access to data but in most companies, relevant data is available to at least develop a basic scorecard with some detail.

The key is in the follow-up. Measurements are all well and good but only if they are acted upon. An effective practice can be to develop a scorecard taking key factors into consideration that can be easily generated and distributed. If it’s difficult to produce, it’s probably difficult to understand, analyze, and to act upon.

For more information about this topic, please contact Supply Chain Systems. In the next newsletter, I will provide some insight about effectively collaborating with your trading partners to improve customer service.

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