

STRATEGIC LOGISTICS MANAGEMENT



CHAPTER 2: CUSTOMER SERVICE



LEARNING OUTCOMES

At the end of this unit the student should be able to:

- Understand what customer service means in the logistics context
- Explain how technology has affected customer service in the modern business environment
- Explain why customer service is an important component of an organization's strategy
- Explain and apply the elements of customer service
- Explain and apply the critical dimensions of customer service
- Discuss the process of developing a customer service strategy
- Develop and justify relevant measures for gauging customer service performance



CUSTOMER SERVICE

- Has the potential to **provide the distinctive difference between competing firms' offerings.**
- This **differentiation potential is important** in light of the declining power of the brand.
- **Satisfactory customer service is a direct output of the logistics function by ensuring the availability** of the market offering to the customer in the right place and at the right time.

THE ESSENCE OF CUSTOMER SERVICE

Marketing mix

- People
- Place
- Price
- Promotion



THE ESSENCE OF CUSTOMER SERVICE

Who is the customer?

The party that patronises an organisation by purchasing its products or services.

Logistics perspective: Any person at the receiving end of a delivery that can exist **internally or externally** to the organisation.

Both internal and external customers are to be provided with replicated timely and accurate delivery.



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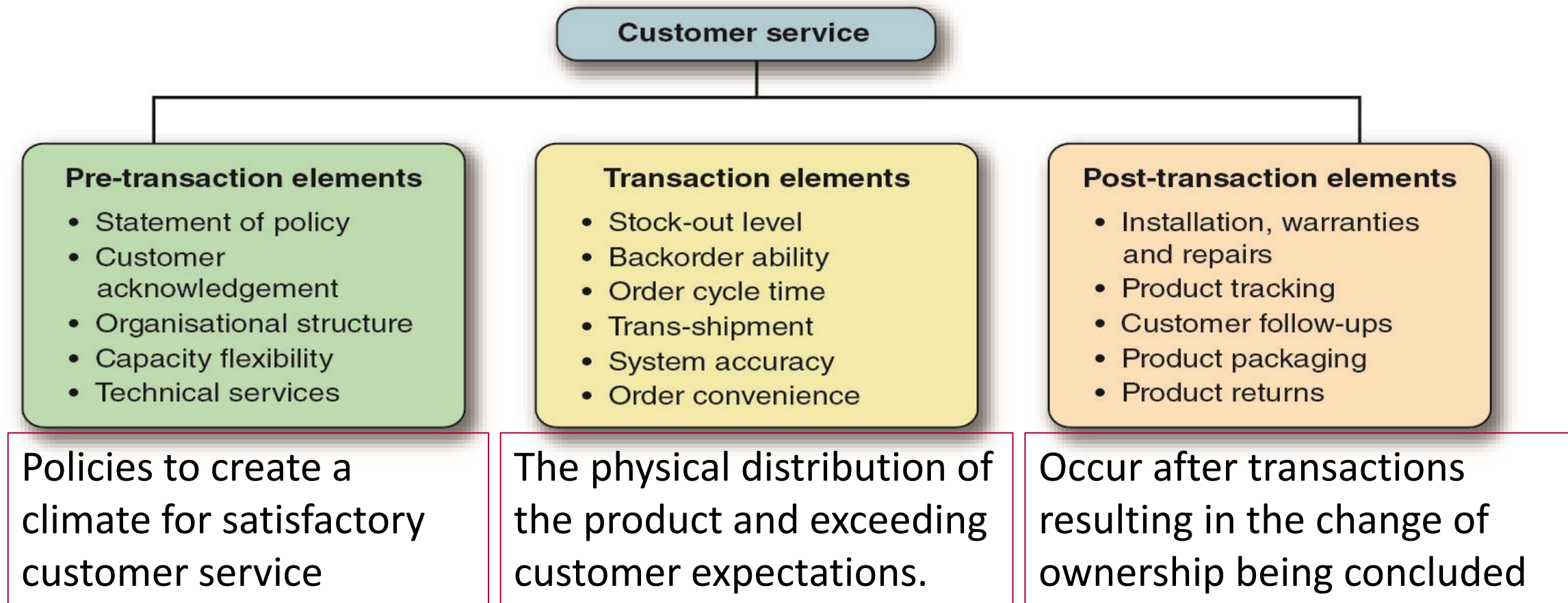
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ELEMENTS OF CUSTOMER SERVICE

Figure 2.1 Elements of customer service





CUSTOMER SERVICE CONCERNS

Time:

Relate to the length of time it takes to fulfil an order from the moment it is placed

Dependability:

Relate to the extent to which a seller's or suppliers deliveries are consistent with the customer's expectations

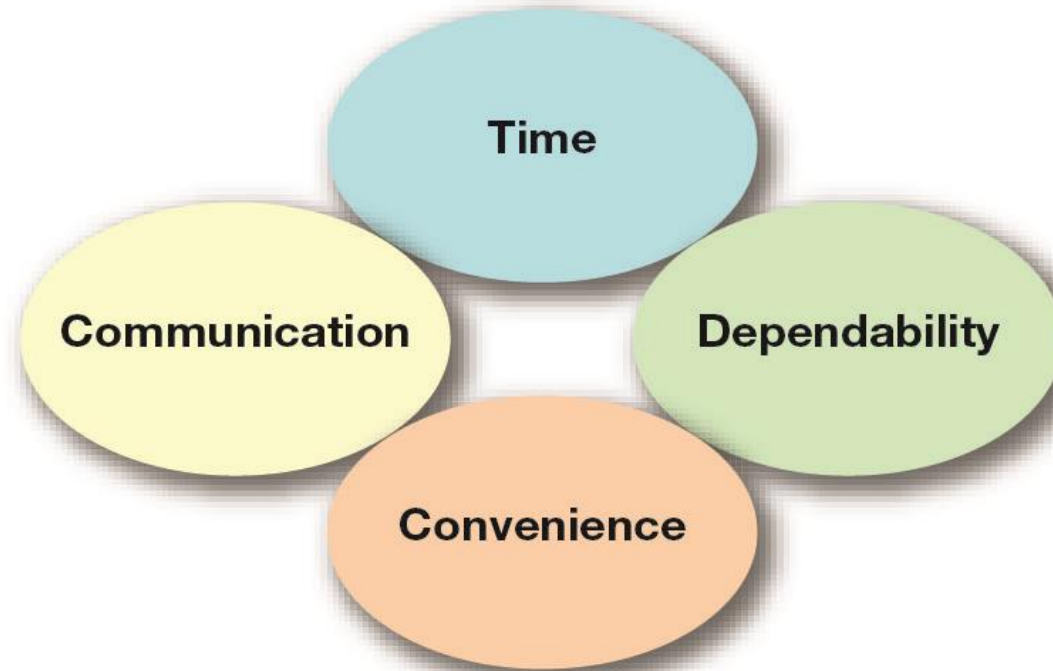
Communication:

Relate to the handling of order-related information

Convenience:

Recognises the heterogeneity of customers. Customers logistics requirements tend to differ

Figure 2.2 Logistics perspective of customer service concerns



BASIC CUSTOMER SERVICE DIMENSIONS

Inventory availability:

Customers cannot make a purchase unless a product or service is available.

Operational performance:

Primarily concerned with the manner in which activities along the supply chain are undertaken. The primary considerations along this dimension are speed, consistency, flexibility and recovery.

Service reliability:

Concerned with an organisation's ability and willingness to provide assurance that customers' expectations will be met.





TECHNOLOGY AND CUSTOMER SERVICE

- The **internet** has profound implications for customer service in the logistics domain.
- The break-out of the **covid-19 pandemic** has accelerated the acceptance of online business activities even by individuals who were ordinarily not inclined to use information technology.
- The use of **omni-channels** and the **degree of technology penetration** in the logistics space have also almost completely erased restrictions on location and time



CUSTOMER SERVICE STRATEGY

Four methods

1. Customer strategy based upon customers' reaction to stockouts
2. Customer/revenue trade-offs
3. Customer-product contribution
4. The customer service audit



CUSTOMER SERVICE STRATEGY

Customer strategy based upon customers' reaction to stockouts

Customer settles for substitute
Manufacturer is affected

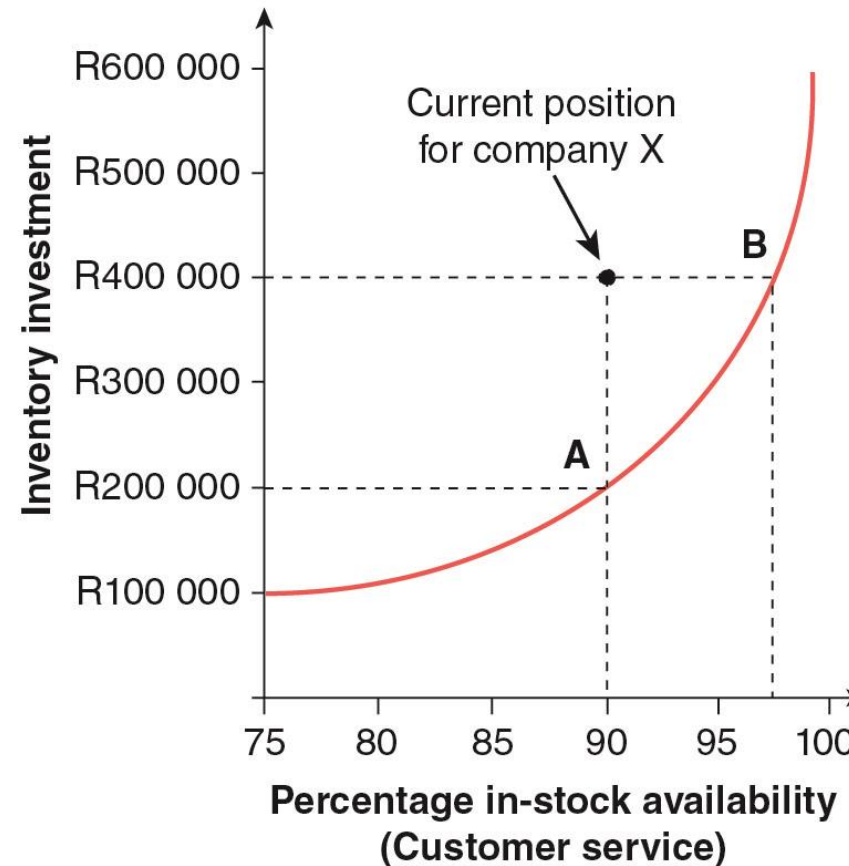


Customer insistent on product or brand
Retailer is affected



Customer/revenue trade-offs

Figure 2.4 The relationship between customer service and inventory investment



Customer–product contribution

Table 2.1 Customer–product contribution matrix

Product category	Customer category			
	A	B	C	D
I	1	2	6	10
II	3	4	7	12
III	5	8	13	16
IV	9	14	15	19
V	11	17	18	20



The customer service audit

Four stages

1. External customer service audit
2. Internal customer service audit
3. Development of potential solutions
4. Establishment of customer service levels



The customer service audit

Four stages

1. External customer service audit
 - Determine the expectations of the customer.
 - Determine the components that customers consider to be the key determinants of their decision to make a purchase.
2. Internal customer service audit
 - To determine what is the organisation doing in terms of the customer service offerings
 - To determine the manner in which customer services are measured, standards of performance and the extent to which these standards are being met by the organization



The customer service audit

Four stages

3. Development of potential solutions

- A comparative analysis of the results of both audits would reveal areas where shortcomings exist or where the organisation's offerings are at parity with or exceed customer expectations
- Development of solutions that aim to overcome customer service shortcomings or improve on current performance levels

4. Establishment of customer service levels

- Development of a system for measuring and monitoring of performances



Table 2.2 Hypothetical importance and performance evaluations for selected customer service attributes

No.	Attribute	Importance	Performance evaluation		Relative performance of A compared to B
			Firm A	Firm B	
1	Accuracy in filling orders	6.42	5.54	5.65	−0.11
2	Ability to expedite emergency orders in a fast, responsive manner	6.25	4.98	5.23	−0.25
3	Reaction to complaints	6.07	4.82	5.18	−0.36
4	Completeness rate	5.09	5.29	5.27	+0.02
5	Frequency of deliveries	4.29	5.07	5.03	+0.04



The customer service audit continued

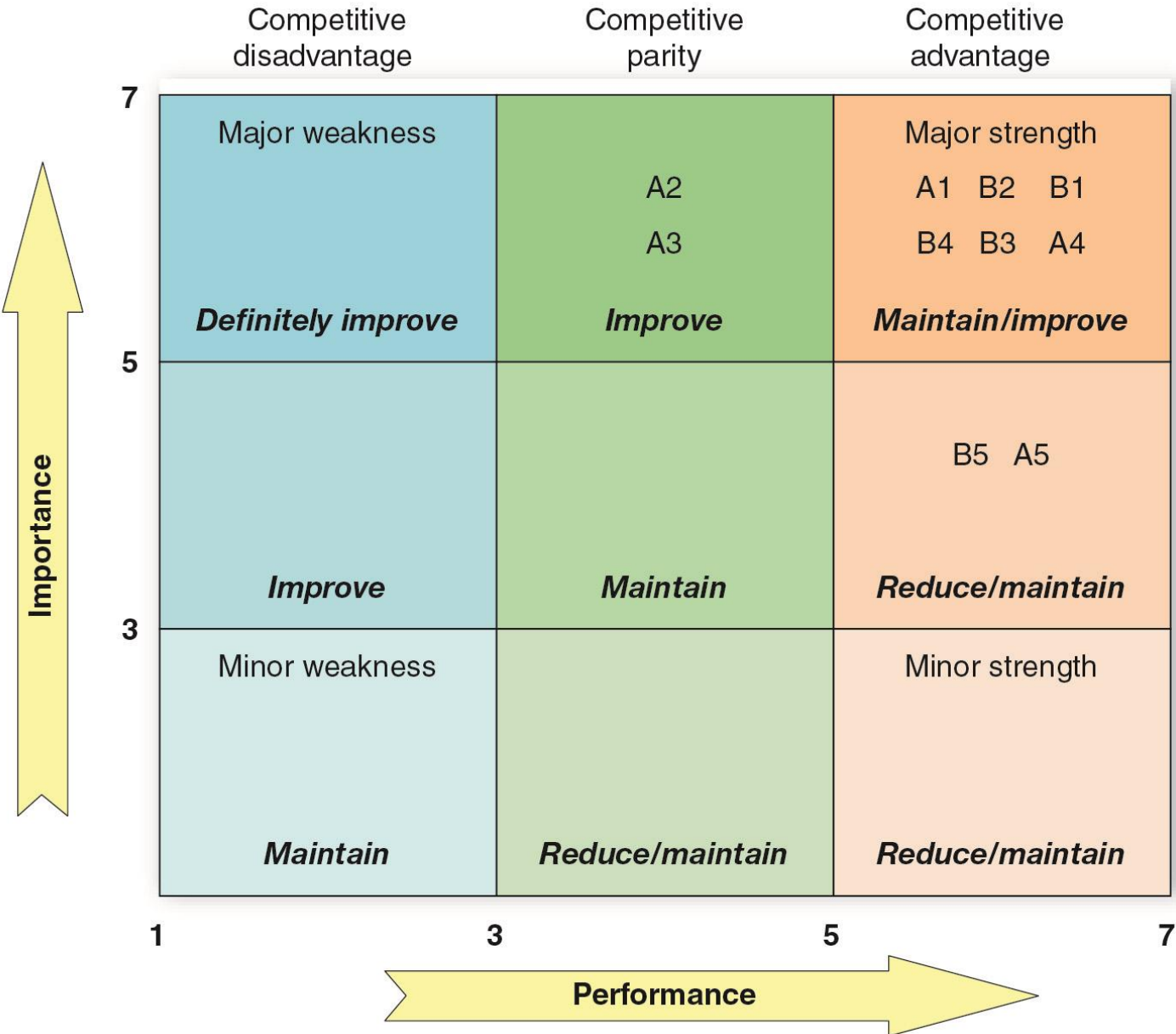


Figure 2.5 Performance evaluation matrix

Source: Adapted from Stock & Lambert (2001)



MEASURES OF CUSTOMER SERVICE PERFORMANCE

- Turnaround times
- Number of customer complaints
- Queuing time
- Ratio of timely shipment of orders
- Number of items on back orders
- Percentage product availability
- Order cycle time



SECTIONS TO LEAVE OUT

- 2.2.1 A process view of customer service
- 2.2.2 A systematic view of customer service