



LOGISTICS - CUSTOMER SERVICE PART 1

The aim of this lecture is to define customer service, its components and starting points in developing its strategy



Logistics

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Customer Service

Part 1

Structure of the
lecture

Logistics activities
Customer Service Definition
Customer Service Components
**Starting points of customer
service strategy**

CUSTOMER SERVICE (CS)



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- process that takes place between the buyer, seller and possibly third party (logistics companies)
- result of this process is the **added value** (short and long term) that increases the value of the product or service being exchanged
- cost effectiveness
- https://www.youtube.com/watch?v=bL_D-qyva0c
- <https://www.youtube.com/watch?v=tYUXK2Rb-PY>



How can be CS understood?

- Activity to be managed
- Performance in certain parameters
- Business philosophy



CS Components

1. Pre-sales phase
2. Sales phase
3. After-sales phase



1. Pre-sales components

- mostly relate to the organization's policy or strategy
- have a major impact on how customers perceive the organization and what their level of satisfaction is
- do not always have to be directly related to logistics
- formulated and available before an enterprise starts implementing and performing customer service activities



- are provided independently and outside the normal order cycle
- relatively stable, long-term nature
- provide some assurance in terms of customer expectations



I. Written declaration of customer service policy

- definition of service standards in response to customer requirements
- it includes measures to monitor and evaluate service performance, including how often results are reported



II. Handing over customer service declarations to customers

- enterprise makes the customer aware of what he can expect to avoid exaggerating expectations
- in this form the customer should learn how to proceed in cases where the expected level of service is not met by the enterprise



III. Organization structure

- ensures that customer service goals are achieved
- there are no universal rules
- it must allow both internal and external communication policy, performance and, where appropriate, corrective actions
- customers should have easy access to people who are directly involved in meeting their needs and can answer their questions



IV. System flexibility

- plans for a random or unforeseen event that would allow the organization to respond flexibly when such exceptional situations occur



V. Management services

- assistance in advertising sales
- assistance in stock management
- assistance with ordering
- provided in the form of various manuals, seminars, or personal consultations
- free or paid



2. Sales components

- services that are usually associated with the term customer service

I. Stock depletion level

- measures the availability of a particular product
- stock depletion level should be monitored by product and by customer
- maintains customer confidence when stocks are exhausted (replacement product, delivery from another source)



II. Order status information

- information about the status of ordered goods in stock
- order status information
- information about the expected or actual delivery date
- information about the status of pending orders
- customers pay increased attention to any delivery problems or variations in delivery



III. System accuracy

- order cycle uniformity
- special delivery solutions
- movements of goods
- ease of ordering
- product substitutability



IV. Order cycle evenness

- customers attach more importance to maintaining order cycle evenness than absolute cycle length
- need to monitor actual performance achieved in supply evenness and if necessary taking corrective measures



V. Special delivery solutions

- delivery that cannot be delivered within the usual distribution system
- costs of these deliveries significantly exceed the costs of standard deliveries
- necessity determines which types of customers or situations are eligible for this special treatment and which are not



VI. Goods redistribution

- moving goods between different distribution points
- aim is to prevent the depletion of stocks
- where there are several distribution points, the rules for such transfers should be laid down



VII. Ease of ordering

- How easy is it for the customer to order?
- user friendly preference
- ordering problems need to be monitored



VIII. Product substitutability

- if the goods ordered by the customer are not in stock but can be replaced:
 - different size/packaging of the same product
 - another product that has similar or better user properties



3. After-sales components

- provide product or service support after the customer has received it
- are the most neglected



I. Installation, warranty, modifications, repairs, spare parts

- important consideration in virtually any purchase, but especially in the purchase of investment products
- they must be given the same attention and investigation as the sales parts



II. Product tracking

- form of registration - which products were sold to which customers
- this information can be extremely important (e.g. need to inform customers about a potential problem)



III. Handling complaints, returned goods

- importance of online IS
- reverse logistics
- setting clear rules



IV. Temporary product replacement

- for some products it is necessary to keep in stock backup products that can be offered to the customer during the service of the product (cars, mobile phones,...)
- minimizing customer trouble and the ability to significantly increase customer loyalty



CS STRATEGY

- market and business analyzes mainly in the following areas:
 - determination of the level of CS following customer response in the event of depleted stock at retail level
 - interdependencies between costs and revenues
 - ABC analysis
 - customer service audit



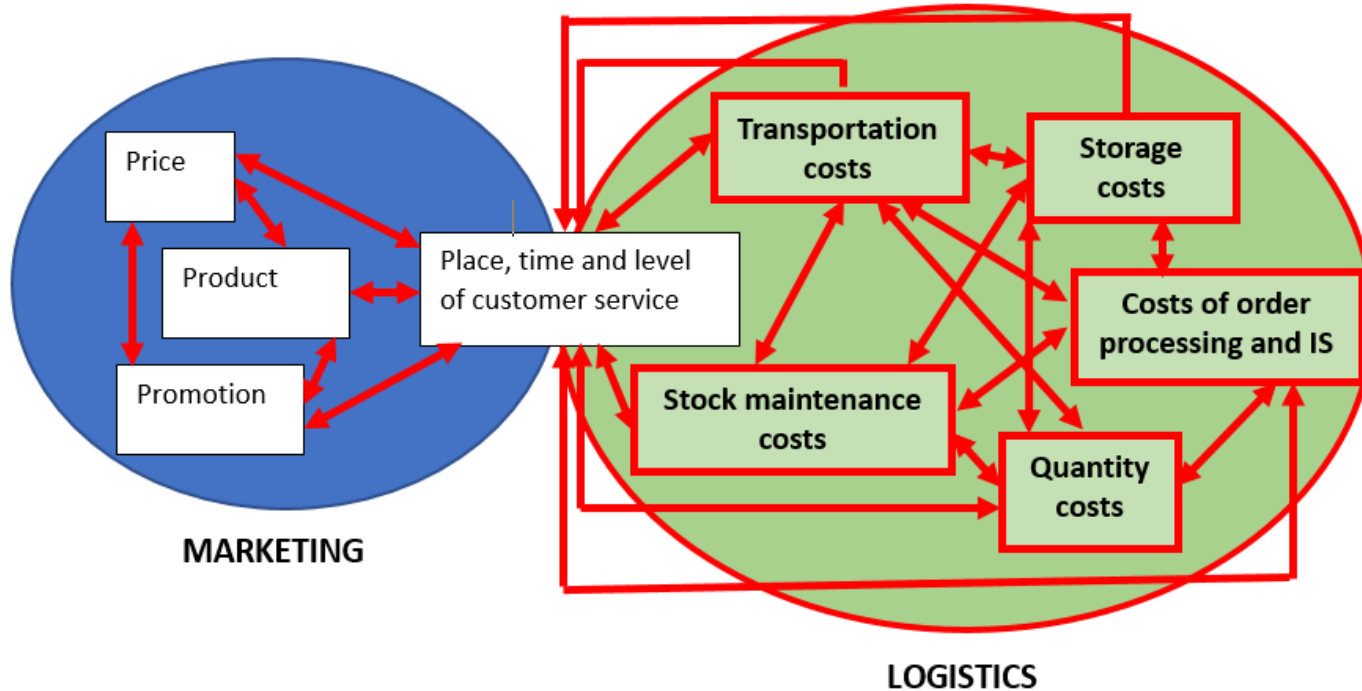
Determination of the level of service following customer response in the event of depleted stock

- is difficult for the manufacturer to determine the impact of stock depletion on end-users
- depletion of stocks at the producer level does not necessarily mean that stocks at the retail level are depleted
- when goods are not available, the customer can:
 - buy another size / packaging of the same brand
 - buy another brand
 - go to another store



- proper understanding of the behavior of subjects at different levels of the distribution channel is critical for the right strategy formulation (e.g. infant food)
- the starting point for customizing the order cycle, order fulfillment reliability, transport options and other elements of the logistics system

Cost links in the logistics system





ABC analysis

- some customers (products) benefit the enterprise more than other customers (products):
 - A: the most important (85%)
 - B: less important (15%)
 - C: the least important (5%)



Example: different service levels

Customer	Stock availability standard (%)	Order cycle time standard (hr.)	Standard for completeness of supply (%)
A	100	48	99
B	95	72	97
C	90	96	95

Summary of the lecture



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You can:

- **Define customer service**
- **Describe the individual components of customer service**
- **Define the bases of customer service strategy**
- **Clarify customer's response in case of stock depletion**
- **Use ABC analysis to create a customer service strategy**