LOGISTICS
-
CUSTOMER SERVICE
PART 2

The aim of this lecture is to clarify customer service audit and the importance of standards in the field of customer service

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Logistics
-
Customer service
Part 2

Structure of the lecture

Customer service audit

Determination and evaluation of the level of customer service

LIS

EDI

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CUSTOMER SERVICE AUDIT

- **Audit** = Formal and systematic review by qualified professionals to:
  - determine the extent to which specific organizations meet management goals
  - find out which conditions need to be improved

- means of rating the current level of CS provided by the company
- provides some benchmark for evaluation of the impact of changes in CS strategy
- goal:
  - to identify critical components of CS
  - to identify how the performance of these components is controlled
  - to evaluate the quality and capabilities of internal IS

Customer service audit phase:

1. External audit
2. Internal audit
3. Identification of opportunities and methods of improvement
4. Introduction of standards in the field of CS

1. External audit

- main goal:
  - to identify those service components that customers consider important in their purchasing decisions
  - to find out how customers perceive the service (quality, level of service) offered by the company and offered by the company's main competitors
- interview with several selected customers of the company
- questionnaire
- to engage the marketing department

- possible problems:
  - CS is on the same level as the competition have $\Rightarrow$ the customer is difficult to distinguish between suppliers
  - indicator important for the customer none of the suppliers provide $\Rightarrow$ market opportunity
  - customers cannot appreciate the service provided
  - performance is better than perceived
- internal audit can also be performed during an external audit

2. Internal audit

- goal:
  - to identify differences between established business practices and customer requirements
  - evaluate business-to-customer communications and intra-company communications, including assessing and reporting customer service performance

- interviews with managers:
  - Defining the scope of responsibilities
  - Size and organizational structure
  - Decision-making powers and decision-making processes
  - Measurement and evaluation of performance and results
  - CS definition
  - Opinion on how customers define CS
  - Company plans to change or improve CS
  - Internal communication between departments
  - Communication with key customers

3. Identification of opportunities and methods to improve the level of customer service

- utilization of information obtained from external and internal audit
- comparison with the competition
- what and how to improve

4. Implementation of standards in the field of CS

- goal:
    - creation and implementation of specific standards (levels) of customer service and system of their measurement
- different target service levels for different segments
- motivation of employees to meet the company's goals in the field of CS

The whole process of customer service audit must be repeated regularly by management !!!

Obstacles to customer service strategy

- inability to distinguish specific market segments
- different levels of CS vs. different price
- unrealistic expectations
- seeking general and common market requirements
- disregard of geographical differences

Determination and evaluation of CS level

- setting standards, performance norms of CS components
- performance in the field of CS can be measured and controlled as follows:
  - to introduce quantitative performance standards for each service component
  - to measure the actual performance of each component
  - to analyze the differences between actual performance and standards
  - take corrective step to improve actual performance
- motivation customers to cooperate

Measurement of CS performance

- ***pre-sales components***
  - notification of product unavailability
  - quality of sales representatives
  - regular visits by sales representatives
  - monitoring the customer's storage level
  - consultations for new product / package development
  - communication of the planned delivery date

- **sales components**
  - o percentage of pending orders
  - o percentage of availability / reliability of order fulfillment
  - o incomplete deliveries / losses on deliveries
  - o simplicity of ordering
  - o order confirmation
  - o offer credit terms
  - o handling queries
  - o frequency of supply

- order cycle time
- order cycle time reliability
- timeliness of deliveries
- expedition delay (fluctuations in the cycle)
- complete order fulfillment
- order status information
- ability to track orders

- ***after-sales components***
  - invoice accuracy
  - return / leveling
  - product damage (hidden and visible)
  - well stacked pallets
  - easy-to-read information on the expiry date on the packaging (use by date, ...)
  - quality of the packaging of goods intended for display in the shop

Standards in customer service

- must reflect real customer requirements (not what management thinks)
- appointed workers regularly measure actual performance in specified indicators and compare it to standards
- importance of the order processing system
- importance of IS

Examples of standards in the field of CS

- percentage of availability of the goods in stock:
  - by product or product group
  - by storage location
  - by customer or customer category
  - by period
  - by completeness of orders

- transportation time:
  - by mode of transport
  - by storage location
  - by customer or customer category
  - by period
  - by order size

- even distribution of supplies:
  - by timely delivery
  - by storage location
  - by customer or customer category
 - by date range
  - by order size

Improving the quality and performance of CS

- level and quality of CS can be increased by:
    - carefully examining the needs of customers
    - setting service levels that respect the interrelationship between revenue and costs
    - using the latest technology in the order processing system
    - measuring and evaluating the performance of individual logistics activities
- utilization of CS audit
- influence of the ordering system

Logistics information system (LIS)

- IS focused on logistics data

- support for logistics management

- order-handling system is the nerve center

- goal:
  - create an information environment in which it is possible to effectively plan and coordinate all logistics activities related to material flow management in the logistics chain
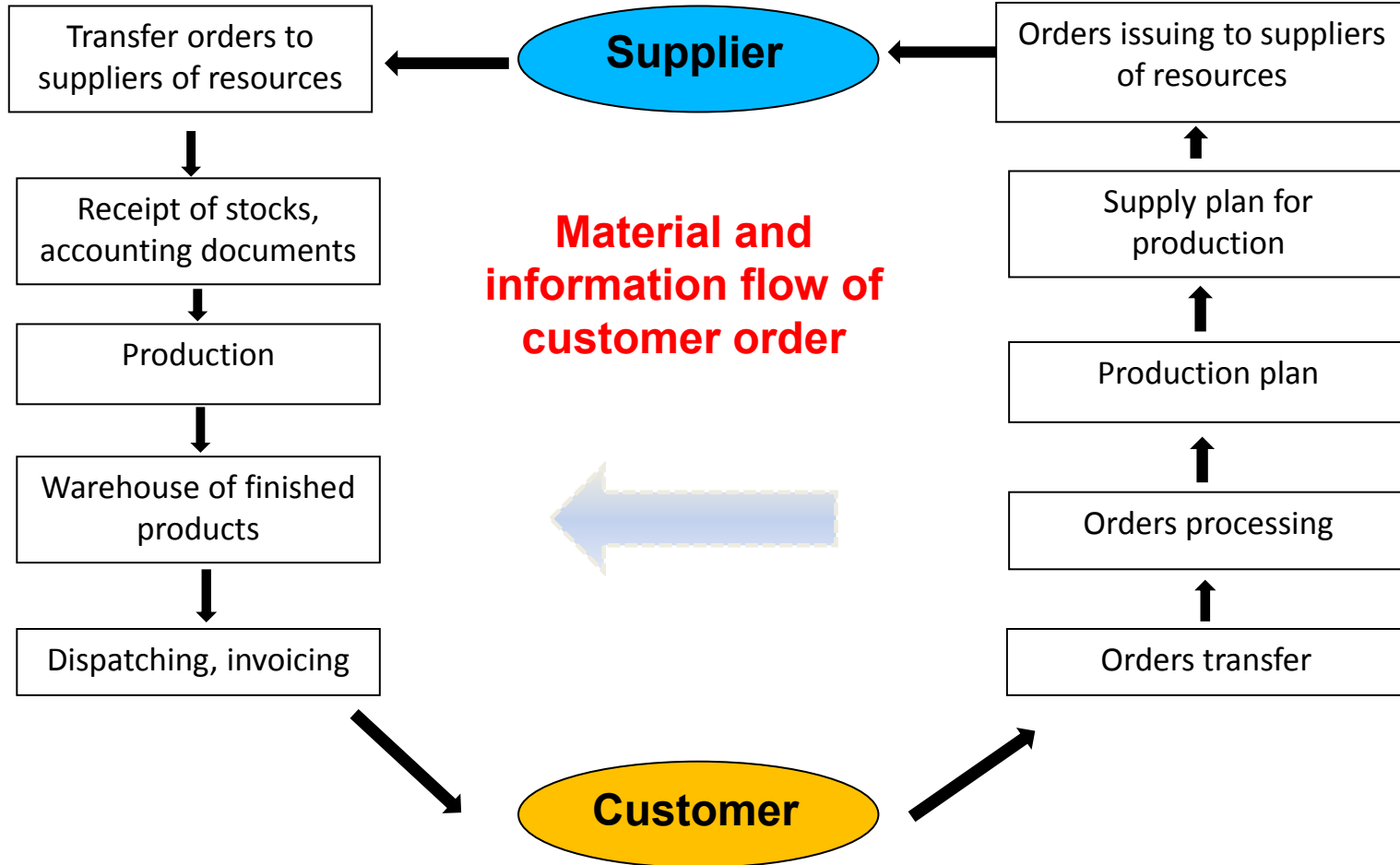
LIS requirements

- simplification of administrative tasks with documents
- data for operational management
- data for economic decision-making
- openness to other systems and its interconnection in SCM etc.

LIS is decomposed into:

- order processing subsystem
- demand forecasting subsystem
- logistics planning subsystem
- stock management subsystem

EDI (*Electronic Data Interchange*)

- modern way of communication between two independent subjects, where standardized structured business and other documents are exchanged electronically (without human intervention)
- for the first time in the 1960s. in the automotive industry

- in the Czech Republic in the greater after 1998
- clear legal framework until 2004
- initially negative attitude towards EDI:

  - the enforcement methods of the chains themselves and the sanctions against their suppliers
  - costs
  - demanding implementation into enterprise IS
  - demanding maintenance and expansion
  - minimum price competition in EDI solutions

- negative experience $\Rightarrow$ EDI will bring something only to big suppliers and chains
- today, virtually everyone can benefit from EDI:
  - affordability
  - easy integration into business IS
  - traditional and proven technology
  - common part of business relationships applicable to any industry or industry
  - EDI is also used by the state administration

Advantages of using EDI:

- speed
- reliability
- lower costs

The most widespread types of EDI business reports:

- Order
- Invoice
- Advice of dispatch of goods
- Business objection
- Stock overview
- Product catalog and prices

Summary of lecture

You can:
- **Explain the essence of a customer service audit**
- **Describe ways to evaluate customer service performance**
- **Give examples of customer service standards**
- **Define LIS**
- **Characterize EDI**