The AFIT of Today is the Air Force of Tomorrow.

Customer Service Management
Great Expectations

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Drivers of Expectation*

- Past experience
- Service alternatives
- Self-service role
- Situational factors (e.g., weather)
- Explicit/implicit promises
- Word of mouth

What’s the Big Deal?

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MEETING/EXCEEDING CUSTOMER EXPECTATIONS

CUSTOMER SATISFACTION

CUSTOMER LOYALTY

PROFITABILITY AND GROWTH!
The Supply Chain Management
Processes

Information Flow

Tier 2 Supplier
Tier 1 Supplier
Manufacturer
Customer
Consumer/End user

PRODUCT FLOW

Purchasing
Logistics
Marketing

Production
R&D
Finance

CUSTOMER RELATIONSHIP MANAGEMENT
SUPPLIER RELATIONSHIP MANAGEMENT
CUSTOMER SERVICE MANAGEMENT
DEMAND MANAGEMENT
ORDER FULFILLMENT
MANUFACTURING FLOW MANAGEMENT
PRODUCT DEVELOPMENT AND COMMERCIALIZATION
RETURNS MANAGEMENT

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What is Customer Service Management?

• It is not another name for logistics customer service.

• It is the supply chain management process that provides the firm’s face to the customer, including the proactive management of the PSAs, and provides a single source of customer information.
Perspectives Regarding Customer Service

Logistics Perspective

- Represents output of logistics system
- Measure of logistics performance in creating time and place utility
- Key interface between marketing and logistics functions
- Emphasizes specific pre-, post- and transactional events

SCM Perspective

- Focus on SC relationships: involves SC-wide customer service strategies
- Measure of ability to manage individual customer accounts
- Administers outbound interface of product and service agreements
- Emphasizes proactive response procedures for customer service events
Changing Role of CSM Personnel

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• Past
  • Order Taking – Phone/Mail/Fax
  • Order Writing
  • Focus on Transactions
  • Individual Excellence in Customer Service
  • Standard Service for All Customers
  • Internal Focus

• Now
  • Process Management
  • Customer Inventory Management – VMI
  • Total Customer Relationship Management – “One-Stop Shopping”
  • Key Account Team Member/Leader Represent Company
  • Account Focused Process Improvement – Value-Adding Customer Services
  • Customer Advocate

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Potential Components of PSAs

Product and Service Agreements will vary based on the importance of the customers, customer requirements, and the firm’s capabilities and profit goals.

- Multiple Products
- One Company Selling Organization
- Standard Terms of Sale
- Standard Advertising

- Multiple Products
- Multiple Company Selling Organization
- Multiple Shipping Locations
- Negotiated Terms & Advertising
- Special Labeling Requirements
- Delivery Requirements - (where, how, when)
- Carrier and Lead Time Notification
- Material Safety Data Sheet
- Special Invoicing and Documentation

- Multiple Products
- Multiple Company Selling Organization
- Multiple Global Shipping Locations
- Vendor Managed Inventory
- Special Labeling Requirements
- Delivery Requirements/(where, how, when)
- Currency Translation
- Material Data Safety Sheets
- Export Regulations
- Multi-lingual Requirements
- Special Invoicing and Documentation
- Carrier & Lead Time Notification
- Communication Requirements (EDI, etc.)
- Common Terms and Conditions
- Buying Plans and Contractual Minimums
- Cross-Functional Customer Team
- Joint Product Development
- Preferential Terms & Advertising

Low Level of Customization High

Why is CSM important?

- Positively influences customer purchasing decisions.
- Can serve as a method for building a sustainable competitive advantage.
- Establishes an internal advocate for the customer and puts a face on the PSA.
- Provides a primary point of customer contact for all problems requiring either proactive or reactive responses.
- Helps to address service issues before the customer feels the pain.
Customer Service Management
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Strategic Sub-Processes
1. Develop Customer Service Management Strategy
2. Develop Response Procedures
3. Develop Infrastructure for Implementing Response Procedures
4. Develop Framework for Metrics

Processes Interfaces
1. Customer Relationship Management
2. Supplier Relationship Management
3. Demand Management
4. Order Fulfillment
5. Manufacturing Flow Management
6. Product Development & Commercialization
7. Returns Management

Operational Sub-Processes
1. Recognize Event
2. Evaluate Situation and Alternatives
3. Implement Solution
4. Monitor and Report

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The Strategic CSM Process

Process Interfaces

- Customer Relationship Management
- Supplier Relationship Management
- Demand Management
- Order Fulfillment
- Manufacturing Flow Management
- Product Development & Commercialization
- Returns Management

Strategic Sub-Processes

- Develop Customer Service Management Strategy
  - Define staffing needs
  - Define deliverables
  - Operationalize triggers and signals

- Develop Response Procedures
  - Determine events that require response
  - Determine appropriate response procedure for each type of event
  - Define internal and external coordination

- Develop Infrastructure for Implementing Response Procedures
  - Determine information systems’ needs
  - Determine communication needs

- Develop Framework of Metrics
  - Classify events
  - Identify operational problems/improvement opportunities

Activities

Develop Customer Service Management Strategy

• Define staffing needs.
• Define deliverables.
• Operationalize triggers and signals.
Strategic Sub-Process #2

Develop Response Procedures

- Determine events that require response.
- Determine appropriate response procedure for each type of event.
- Define internal and external coordination.
Example: Standard Response Procedure for a Sales Decline

**Recognize Event**
- Download data from retailers’ private information exchanges
- Check weekly sales against last four weeks
- There is an unexplainable reduction in sales

**Evaluate Situation and Alternatives**
- Check inventory availability at the retailer’s store in information system
- Determine reason for the stockout
- Have sales increased unexpectedly?
- Is there inventory available?
- Is the source of the problem internal?

**Implement Solution**
- Send Merchandiser
- Identify the source of the problem
- Identify problem and coordinate solutions across functions
- Product is in stockroom
- Product is misplaced in the store
- Incorrect inventory in information system
- Coordinate with customer to find and solve problem
- Reevaluate replenishment and inventory parameters

**Monitor and Report**
- Record event and measure performance

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© Supply Chain Management Institute. Source: Gillette International, as reported in Supply Chain Management: Processes, Partnerships, Performance, p. 79.
Strategic Sub-Process #3

Develop Infrastructure for Implementing Response Procedure

- Determine information systems’ needs.
- Determine communication needs.
Strategic Sub-Process #4

Develop Framework of Metrics

• Classify events.

• Identify operation problems/improvement opportunities.
How CSM Affects EVA®

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Aim High…Fly - Fight - Win

How CSM Affects EVA®

Retain and strengthen relationships with key accounts
Sell higher margin products
Improve “share of customer”
Avoid lost sales
Reduce number of last minute production changes
Reduce returned goods
Eliminate claims and reduce customer complaints
Streamline order processing and information flow with customer
Reduce cost to serve the customer
Improve management of warranty, replacement and repair programs
Reduce tracking and tracing costs
Leverage transportation and consolidate shipments
Prevent stockouts and expedited shipments
Reduce order processing & transportation costs
Improve system accuracy-billing, quantities, products
Improve forecasting and demand planning
Reduce safety stock
Identify and eliminate quality control problems
Reduce accounts receivable
Improve product development and asset investment
Optimize equipment utilization

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The Operational CSM Process

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Process Interfaces
- Customer Relationship Management
- Supplier Relationship Management
- Demand Management
- Order Fulfillment
- Manufacturing Flow Management
- Product Development & Commercialization
- Returns Management

Operational Sub-Processes

1. Recognize Event
   - Identify event
   - Determine nature of event

2. Evaluate Situation and Alternatives
   - Coordinate with functions to determine alternative actions
   - Decide how to respond to the event

3. Implement Solution
   - Determine “implementation steps”
   - Coordinate with business process owners or function managers processing the request
   - Respond to event

4. Monitor and Report
   - Monitor the evolution of the event
   - Record event log
   - Keep customer informed
   - Measure performance

Activities

Operational Sub-Process #1

Recognize Event

• Identify event.

• Determine nature of event.

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Operational Sub-Process #2

Evaluate Situation and Alternatives

• Coordinate with functions to determine alternative actions.

• Decide how to respond to the event.
Operational Sub-Process #3

Implement Solution

• Determine “implementation steps”.

• Coordinate with business process owners or function managers processing the request.

• Respond to event.
Monitor and Report

- Monitor the evolution of the event.
- Record event log.
- Keep customer informed.
- Measure performance.
Example: A Procedure for Monitoring Product Availability

**Customer Service Account Management**
- Order Forecast by SKU by Customer (4 weeks out)
- Estimate, for each customer, the amount of inventory required to avoid stockouts
- Does the PSA specify that the inventory is reserved for the customer?
  - Yes
  - No
    - Based on customer, segmentation, suggest order size and sufficient for build safety stock

**Supply & Demand Planning**
- Monitor internal inventory reports to determine SKUs that are in stockout or are likely to stockout affecting customers
- Will there be a stockout detected?
  - Yes
  - No
- Identify SKU that will stockout
- Estimate when each SKU will stockout and the duration of the stockout
- Reserve inventory for the customer. Hold inventory in warehouse.
- Place order big enough to build safety stock

**Retail Operations**
- Monitor internal inventory reports to determine SKUs that are in stockout or are likely to stockout affecting customers
- Record event and measure performance

Example: Standardized Response for Customer Order Amendment
Conclusions

The AFIT of Today is the Air Force of Tomorrow.

- CSM is not another name for logistics customer service.

- The CSM process can have a significant impact on the profitability and long-term success of the organization as well as its customers and suppliers.

- Members of the supply chain can provide access to both the skills and resources needed to proactively deliver on the promises in the PSA.

- Implementation of the process can be challenging, but the benefits can be significant.