

MANAGING OPERATIONS
Across the Supply Chain

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McGraw-Hill/Irwin

CHAPTER NINE

Customer Management

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Where We Are Now

		Relationships	Sustainability	Globalization	Organizational Culture/Ethics Change	Management	Measurement
Chapter							
Part 1 Supply Chain: A perspective for Operations Management							
1. Introduction to Managing Operations Across the Supply Chain		X	X	X			
2. Operations and Supply Chain Strategy		X	X	X	X	X	X
Part 2 Foundations of Operations Management							
3. Managing Processes and Capabilities		X					X
4. Product/Process Innovation		X	X	X		X	
5. Manufacturing and Service Process Structures		X		X	X		X
6. Managing Quality		X	X	X	X	X	X
7. Understanding Inventory Fundamentals		X		X			X
8. Lean Systems		X		X	X	X	X
Part 3 Integrating Relationships Across the Supply Chain							
9. Customer Management		X					X
10. Supplier Management		X	X	X	X		X
11. Logistics Management		X	X	X			
Part 4 Planning of integrated Operations Across the Supply chain							
12. Demand Planning: Forecasting and Demand Management		X		X			X
13. Sales and Operations Planning		X		X			X
14. Independent Demand Inventory Planning		X					X
15. Materials and Resource Requirements Planning		X		X			X
Part 5 Managing Change in Supply Chain Operations							
16. Project Management		X	X	X	X	X	X
17. Evolving Business Models and Change Drivers in the Supply Chain		X	X	X	X	X	X

Figure 9-1: Supply Chain Management Framework

Figure 9-2: Supply Chain Process Flow

Figure 9-3: Supply Chain Network

9-2

Learning Objectives

1. Describe how operations helps establish and meet commitments to customers
2. Define elements and measurement of customer service
3. Describe model of customer satisfaction
4. Explain importance of commitment to customer success
5. Describe technologies and relationships
6. Describe customer segmentation

9-3

Customer Management

- Intense focus on understanding and providing customers with products/service they desire

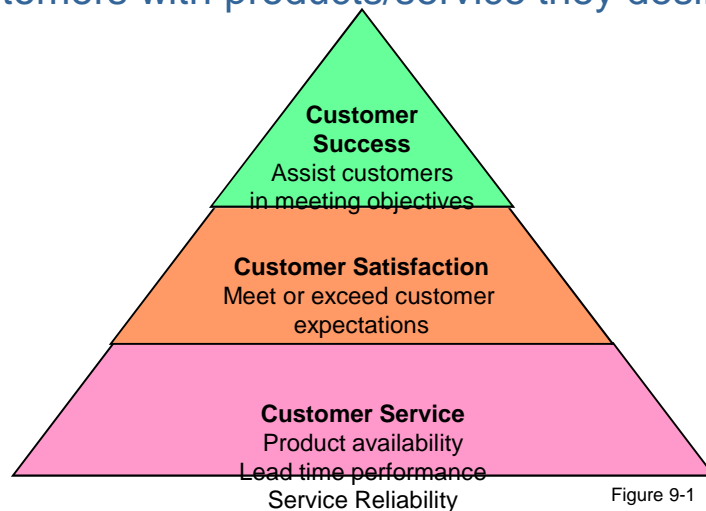


Figure 9-1

9-4

Customer Service

- **Product Availability:** inventory available when and where desired by customer

Orders	Units	Lines	Units Delivered	Lines Delivered	Orders Delivered
1,000	20,000	5,000	19,500	4,800	910

–**Unit Fill Rate:** % of ordered units delivered
= $19,500/20,000 = 97.5\%$

–**Line Fill Rate:** order lines filled in total
= $4,800/5,000 = 96\%$

–**Order Fill Rate:** orders shipped complete
= $910/1000 = 91\%$

Example 9-1

9-5

Lead Time Performance

- **Lead Time:** time between start and end of an activity

–**Design:** conceptualize, design & test

–**Order:** place and schedule for production

–**Procurement:** source and arrive

–**Production:** start to end of production

–**Delivery:** warehousing & transportation to customer



9-6

Lead Time Performance cont'd

- Differing market orientations have different elements of **Order-to-Delivery (OTD)** lead time
 - **Engineer to Order (ETO)**: design and make to customer specifications
 - **Make to Order (MTO)**: make to customer demand from raw materials and components
 - **Assemble to Order (ATO)**: assemble to customer demand from generic subassemblies
 - **Make to Stock (MTS)**: build and stock in anticipation of customer demand

9-7

Lead Time Performance cont'd

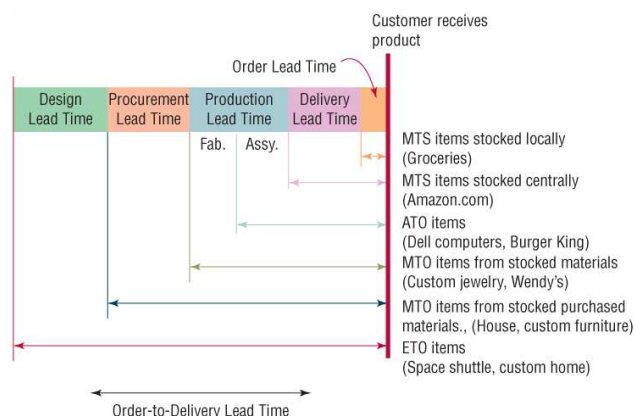


FIGURE 9-2 Market Orientation and Order-to-Delivery Lead Time

Figure 9-2

9-8

Service Reliability & The Perfect Order

- **Service Reliability:** performance of all order related activities error-free Example 9-2
- If a firm has 97% reliability on four attributes, the probability of a perfect order is $.97 \times .97 \times .97 \times .97 = 88.5\%$
- **The Perfect Order:** delivered without failure in any order attribute
 - Complete
 - On time
 - Damage free
 - Documentation correct



9-9

Limitations of Customer Service

- Customer Service involves specifying the firm's commitment to availability, operational performance and reliability
 - Order winners, qualifiers and losers
 - Meeting or beating competitor levels
 - Link to competitive strategy
 - Link performance to customer satisfaction



9-10

Customer Satisfaction

- **Customer Satisfaction:** meeting or exceeding customer expectations, including:
 - **Reliability:** performance as promised
 - **Responsiveness:** prompt reply and resolution
 - **Access:** easy to use communication channels
 - **Communication:** proactive order notifications
 - **Credibility:** believable and honest

9-11

Customer Satisfaction

- **Customer Satisfaction:** meeting or exceeding customer expectations, including:
 - **Security:** low risk and confidential
 - **Courtesy:** polite, friendly and respectful
 - **Competence:** able to perform
 - **Tangibles:** physical appearance
 - **Knowing the customer:** responsive to unique customer needs

9-12

Customer Satisfaction Model Gaps

Gaps occur at differences between

1. **Knowledge:** understanding of customer needs
2. **Standards:** internal performance and customer expectations
3. **Performance:** standard and actual performance
4. **Communication:** actual performance and communications about performance
5. **Perception:** customer's view of performance and actual performance
6. **Satisfaction:** customer's perceptions and expectations of performance

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Customer Satisfaction Model Gaps

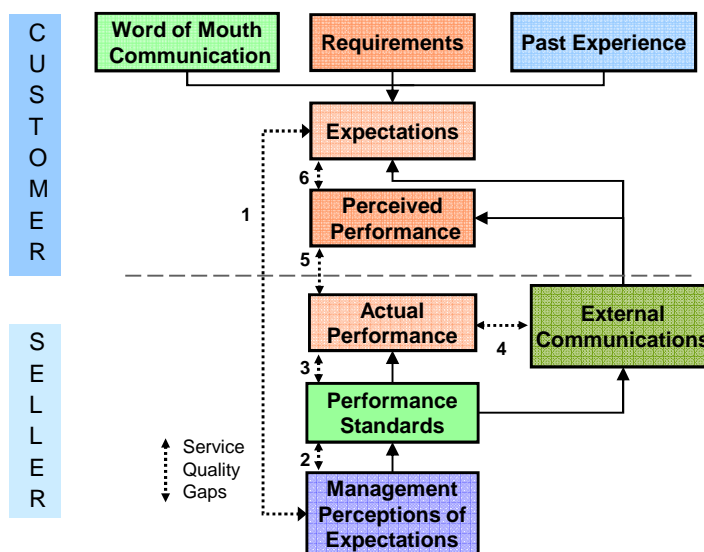


Figure 9-3

9-14

Limitations of Customer Satisfaction

- Beyond basic service to relationship building
- 'Happy' customer \neq satisfied, loyal customer
- Customers are individual in their expectations

9-15

Activity

Think of a time you were dissatisfied with a supplier's performance

- Which of your expectations were not met?
- How did you form these expectations?
- Which 'gap' resulted in your dissatisfaction?



9-16

Customer Success

- Customer success requires a supplier to:
 - Have a long-term relationship focus
 - Comprehensive knowledge of customer needs
 - Consideration of customer's customers
 - Adapt product production and distribution



9-17

Customer Relationship Management

- **Customer Relationship Management (CRM):** technology enabled data gathering about customers to develop strategic relationships

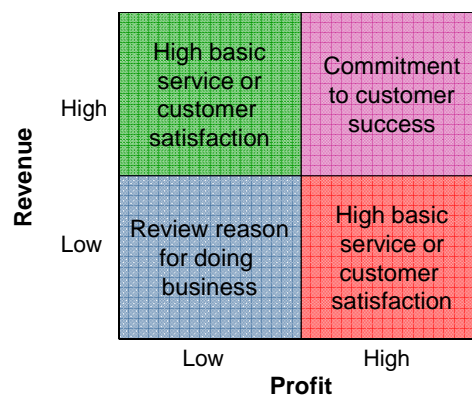


Figure 9-4

9-18

Customer Management Summary

1. Basic customer service includes availability, lead-time performance and service reliability
2. Order-to-Delivery lead time is important
3. Satisfaction is achieved by meeting or exceeding customer expectations
4. Customer success focuses on strategic objectives and individual customer requirements
5. CRM involved data gathering and responding to the needs of specific customers
6. Multiple types of relationships and levels of commitment

9-19