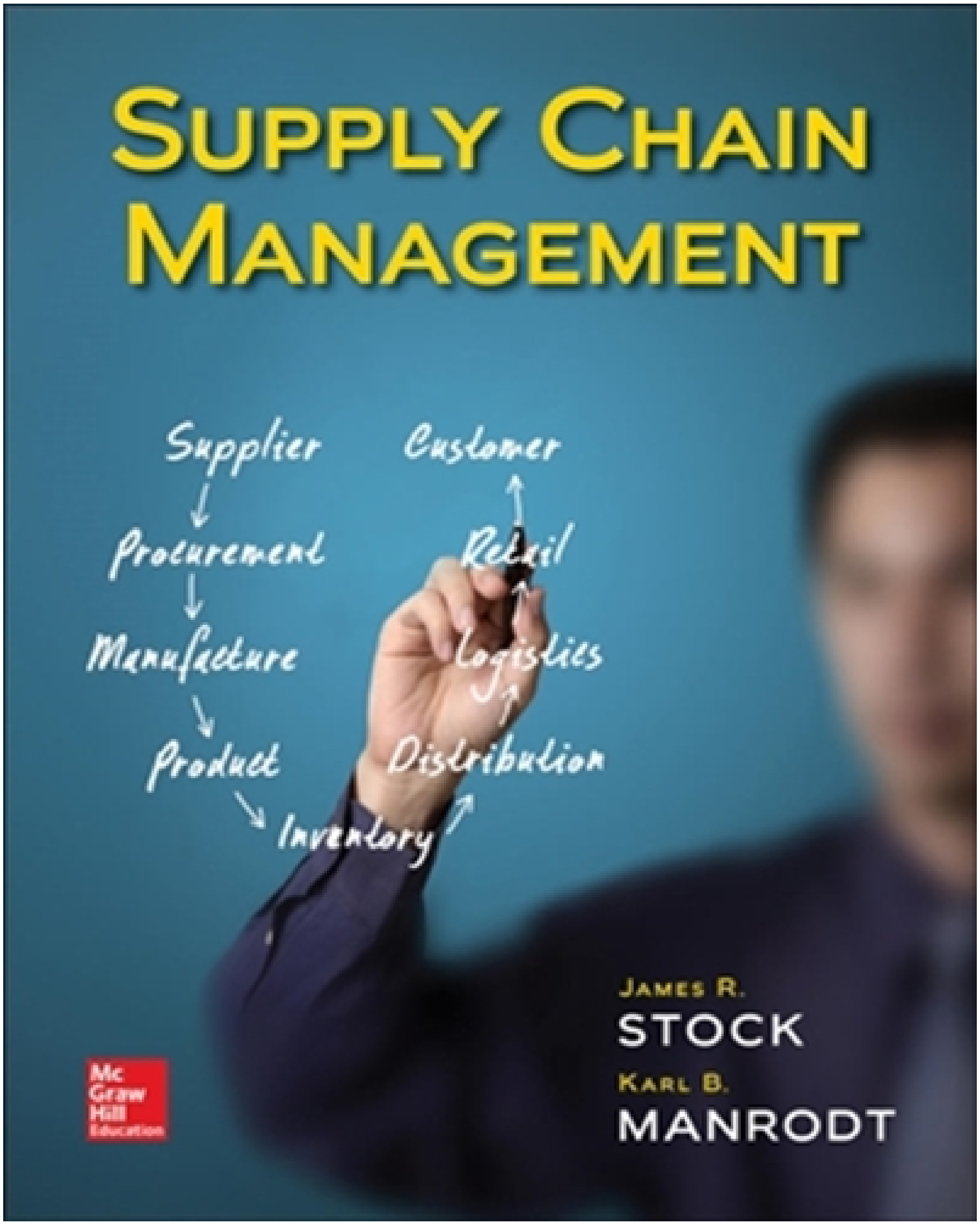
Solutions for Supply Chain Management 1st Edition by Stock



Solutions

Ch 2 Questions and Problems

LO 2-1

1. Are "customer service" and "customer satisfaction" the same, or are they different? Explain.

They are related, but are different concepts. Customer service is primarily created by logistics management, while customer satisfaction is created by SCM, which includes logistics management. Table 2.1 defines each concept and a discussion of the concepts is included in the section titled "Fundamentals of Customer Service and Satisfaction." Essentially, customer satisfaction is a much broader concept.

LO 2-2

2. What are the relationships between customer satisfaction and the marketing concept?

Customer satisfaction is one of the three components of the marketing concept: customer satisfaction; integrated effort; and long-term profitability. Customer satisfaction applies to final customers (those firms or individuals that consume the goods and services produced by firms in the supply chain), suppliers, and intermediate customers. Customer satisfaction must be long-term and requires that supply chain members coordinate and collaborate in order to meet present and future customer needs.

LO 2-2

3. Discuss the role of customer service during the pre-transaction, transaction and post-transaction components of the company-customer exchange.

When supply chains optimize service levels within the exchange process, customer satisfaction will typically be optimized as well. The three components of the exchange process are discussed in the section titled "Elements of Customer Service based on the Concept of Marketing Exchanges: Before, During, and After the Sale." Figure 2.1 summarizes many of the items discussed in that section. In the pre-transaction component, having a written customer service statement that is available to customers is important. During the transaction component, items relating to having products available to customers are paramount. In the post-transaction component, product warranties, repairs, reverse logistics and the handling of customer complaints and inquires, are important. It should be noted that *consistency of service* is a vital ingredient in every aspect of customer service, primarily due to the fact that customers require consistent service and quality in order to forecast and plan their respective activities.

LO 2-3

4. Briefly discuss how the SCOR Model incorporates or considers customer service and satisfaction.

In the section titled “Customer Service and Satisfaction and the SCOR Model of SCM,” service and satisfaction-related activities are identified for each of the six elements of the SCOR Model: Plan; Source; Make; Deliver; Return; and Enable. Table 2.2 summarizes the major service and satisfaction-related activities.

LO 2-3

5. What are key performance indicators (KPIs) and how are they used in supply chain management?

As discussed in the section titled “Key Performance Indicators (KPIs),” KPIs are metrics that are few in number, but essential measures of the success or failure of a company or a supply chain. As identified by AMR Research, there are 17 KPIs that are most important across a majority of companies and supply chains. Of those, the three most important are demand forecast accuracy, perfect order fulfillment, and supply chain management cost. Following those three, AMR Research identified total inventory, days’ payables outstanding, and days sales outstanding. It is important to note that those three items are closely related to the concept of *cash-to-cash cycle*, the process that begins when a firm receives payment from customers and ultimately has to pay its suppliers.

LO 2-3

6. What is a “perfect order” and what are some of the elements found in a perfect order?

The optimization of customer satisfaction through SCM has been referred to as the perfect order. The definition of the perfect order is a customer order that meets all of the following conditions: 100% on-time delivery, 100% fill rate; 100% quality related to fulfillment; and having all of the right documentation. The perfect order percentage is the measure of how well the supply chain provides customer satisfaction. To calculate the perfect order percentage, each of the perfect order components are represented as percentages, which are then multiplied together to get the overall perfect order percentage. The perfect order concept can be applied to the distribution of finished goods, sourcing and procurement, and other aspects of SCM.

LO 2-3

7. Generally, how are approaches such as the strategic profit model and the Balanced Scorecard used in supply chain measures and metrics?

Originally developed by the DuPont Corporation, the Strategic Profit Model is a simple, but powerful, way of managing the financial aspects of SCM. If costs and revenues are known, the model can be used to determine the net profit margin, return on assets and asset turnover for a company or supply chain. For an individual firm, all of the “boxes” in the model are identified in an income statement and balance sheet. So, for publicly held companies where financial statements are available, net profits, ROA and asset T/O can be calculated. It is an interesting exercise for students to manipulate the numbers in one or more boxes in the model to see how various financial numbers change. What is even more interesting is to have the students brainstorm on how the numbers in the boxes can be influenced to change. For example, spending more resources on customer service and satisfaction attributes will likely increase sales, but at the same time will increase variable costs (from the income statement) and impact inventory and accounts receivable (from the balance sheet). Because there are typically many ways of affecting the numbers in the boxes, this discussion can be very good at having students develop various logistics and supply chain strategies and tactics and seeing which one(s) have the greatest impact financially. The Strategic Profit Model is illustrated in Figure 2.2 and can be shown in class as a PowerPoint slide when the model is being discussed. If possible, if financial statements are available for a company in your geographic area, students will enjoy applying the model to a company with whom they are familiar.

The balanced scorecard was not specifically designed for SCM, but it can be applied to SCM. Unlike the Strategic Profit Model, the balanced scorecard approach considers both financial and nonfinancial issues. Specifically it consists of four components: financial performance; internal business process; customer service; and education and learning. A discussion of these four components and a corporate example can be found in the section titled "Balanced Scorecard."

LO 2-6

8. What is customer relationship management (CRM) and how is it used in developing customer satisfaction strategies?

In the section titled "Customer Relationship Management (CRM), CRM is defined as practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth. With the proper data availability, CRM software can plan, implement, and control customer satisfaction efforts of a firm or supply chain. Company examples of CRM implementation are provided in this section, as well as a brief discussion of some essentials of CRM that can be typically found in "best practice" organizations.