

Customer Service is about Understanding Expectations

Achieving high levels of service can take on many looks, depending on many factors. What is great service? How do we achieve it and who quantifies it? Those questions, while hard to answer or quantify, take on different meanings in different industries, different organizations and even to some degree, different geographic locations. Throughout this article, I will reference ideas and examples that have value but you need to recognize there are differences in how companies operate and evaluate metrics (and service). These services may be good for your business or they may provide a basis for measuring what is valuable to your company. There are no “one-size fits all” metrics but you should build some basis to evaluate your service value.

For many years, distributors have had to evaluate the service levels that they deliver to their customers and how they compare to their competitors. As the metrics have had to improve over the years, so have other “soft” services that are not as easy to measure. As I thought long and hard about what constitutes great service; such as performing the tasks and exceeding the metrics that measure service, I realize much of it comes down to expectations. Here is an example:

- Customer “ABC” (a local customer), places an order at 10:00 AM and needs it delivered by 1:00 PM for a job that is starting (don’t ask why he ordered last minute – it happens), and you feel you can accomplish this. Due to some logistical and traffic issues, this customer doesn’t get this order delivered until 4:00 PM. He is very upset and complains that he had to pay workers for standing around because his order was not on time.
- Customer “XYZ” (a remote customer) places an order at 2:00 PM and states nothing about when he needs it. This customer is normally in a 2/3-day ship zone (which is his expectation). This customer receives the order the next day. This customer is happy that his order arrived a day sooner than expected.

If you sent out a survey on service, I would suspect that (on a 1-5 scale), Customer “ABC” would give you a score of 1 or 2 and Customer “XYZ” would probably give you a score of 4-5. But which customer received better service? There is no doubt that getting a same-day delivery (6-hours after placing the order), is much better than next-day service. However, you didn’t meet the expectation of Customer “ABC” and you exceeded the expectation of Customer “XYZ”. As you can see, service is subjective when expectation is the criteria.

What do your customers expect from you? What do you expect of yourself and how does that compare with your competition? In today’s competitive economic arena, just meeting expectations may not be enough. You may need to be more innovative to meet the challenges of your competition; to keep current customers, win new customers and remain viable. Every company faces competition, in different forms or functions under the “great service” umbrella. It is important to evaluate, be resourceful and creative. Since great service can appear in many forms, I will tackle a few on which distributors should focus. Service takes on a lot of factors and expectations, but to me, these few below are ultra-important.

High Fill Rates

When a customer orders from you, it is their expectation that you have the products they need. If you have multiple fulfillment centers (DC's, warehouses etc.), you will need to make sure that each of your facilities fill orders at the same high service level. Fill Rates are simply the measurement achieved. The more sophisticated the customer, the higher the expectation. There are many ways to measure fill rates. Not all ERP systems measure the same (and some not at all), and not all companies measure the same. It is important that you stratify (rank) your items and measure them properly. There are 2-sides to the measurement results; yours and the customers. You should look at measuring fill-rates at the quantum level and that will provide the highest satisfaction to the customer. You can (and should) look at those fill rates in multiple categories; units, dollars, lines and orders. Using these criteria provides exposure and visibility for you to perform better. A failure at the quantum level automatically causes a failure at the higher levels. The way I look at this is a simple "pass/fail" system using a "zero / one" scoring system (0/1). If any of the criteria is filled 100%, it gets a "1" (pass) and if there is any miss, it scores a "0" (fail). For example, if you measure units and fail on one line with one unit, your lines cannot be filled 100%, therefore your order cannot be filled 100%. So, let's look at an example.

Customer "A" decides to purchase 5-items, all five are in-stock, in his local DC in all the quantities he requested. You filled 100% of the units, dollars, lines and the order. Everyone is happy.

Customer "B" orders 6-items. For this example (and to make it easy), assume that all 6-items have a quantity of 12 and a selling price of \$1.00 each. That gives us a max number of 72-units, \$72.00-dollars, 6-lines and 1-order. In this example, 5-items (lines) are filled 100% but on the sixth item, the customer orders 12-widgets and you only have 10; he takes the 10. Your service level for each measurement would look like this.

- Units filled 70/72 (97.2%)
- Dollars \$ filled 70/\$72 (97.2%)
- Lines filled 5/6 (83.3%)
- Orders filled 0/1 (0%)

On the surface, you can look at this and say, "great job" and I would also think the customer felt the same. To improve, you really need to look at the situation and recognize where the failure occurred, what caused the issue and how to correct it from happening in the future. Was the item that was not filled an "A-item" or a "D-item". That makes a significant difference. If it is an "A-item" you may have pissed off the customer and if it was a "D-item" they may be ok. This exercise (and reporting) should be done at regular intervals and review the exceptions at those same intervals. The key is find the exceptions and fix them.

For you to measure fill rates, you should make sure that your ERP (or other reporting software) can produce the necessary information. You also must look at other criteria such as split shipments from multiple DC's; single-invoicing and items that you do not want to fill 100% (such as "D-items"). How do your customers value it versus how you value it? Service such as high fill-rates, costs money (inventory dollars). You should make sure that you are putting your dollars in the correct items. If you try to attain 98%fill rates on "D-items" you will be putting yourself in dangerous territory. Many distributors tout that

they carry (i.e.) 20,000 items. When you rank your products, probably less than 500 of those account for 85%-90% of sales. Concentrate on those. The things that are important are how you measure up against your competitors and how you exceed the expectations of your customer.

Order accuracy

Your customer has 2-distinct interactions with your company when they place an order. You want those interactions to be pleasant. Being nice doesn't cost a thing. The first interaction is when they call and speak to a CSR and the second is when they receive the order (delivery); whether on your truck or a third-party carrier. Both interactions should be a presentation of your value as to why the customer continues to do business with you. Both should be a great experience.

There is nothing more frustrating (as a customer) you place your order and the CSR tells you, "we have everything in stock and your order will be shipping today" and you receive your order and it is not correct. "WTF" (or other expletives), rolls off your tongue, aimed at the driver or calling back to the CSR and rightfully upset; especially if the product is needed immediately. Where did the breakdown occur? The first reaction is that the order was picked incorrectly. That is not always the case, sometimes the incorrect item was placed on the order by the CSR or it may have been a simple keystroke error. Your customer has an expectation that what was ordered will be delivered the way that they ordered. They should expect nothing less. A typical phone call takes between two and a half to four minutes (depending on the characteristics of your business).

Here is the action needed. It would only take an additional 30-seconds for the CSR to summarize the order for the customer before they hang up, just to ensure that the order is exactly what the customer wanted. It is a small effort for great service and accuracy. In the warehouse, if product is properly identified, located in the proper slot and inventory is accurate, picking accuracy should be a no-brainer. This accuracy eliminates returns (RGA's), provides clean invoicing which reduces future problems when it is time to collect on the sale. It does not take much time to quality check (QC) orders. Go the extra mile and be certain that the service you promise is delivered. Order accuracy is expected!

On Time Delivery

Those that have company trucks and drivers have a distinct service advantage over those utilizing third-party services. The main factor that you have with your company truck is control. You don't have control of third-party routing, nor do you have the control over their personnel and how they treat your customers. But, both delivery options have their place.

I have always found that from a cost factor, a third-party delivery service can offer cost savings (versus a company truck), especially in the initial stage of opening a branch or territory where your geographic footprint is large. You can choose to start with third-party delivery or you may have a company truck and you need to augment delivery. If you lease a truck, your costs, including the lease, maintenance, fuel, tolls, insurance and a driver can cost anywhere between \$75k-\$100k per year. When you measure cost, aside from overall cost, you should look at the cost per delivery (both in dollars and percent of sale). To reduce your cost per delivery on company truck, (lower than a third-party carrier) what you need is scale, and it is hard to attain scale if you don't have the sales. Or you may be in a large geographic market and you need to make multiple deliveries on opposite sides of town. If you are going

to raise the bar for service, then you must do many things with delivery that the third-party carrier won't do and possibly what your competition either can't do or won't do. That includes jobsite delivery, same-day delivery, timed or scheduled deliveries, assisting the customer with unloading and placement. Your driver is also an additional set of eyes for you. Making the decision between company owned and third-party delivery is like the "chicken and egg" theory. You think, we don't have the sales to support a delivery vehicle but getting that truck may help increase sales. If you ever had a third-party driver making a delivery where the customer asks, "can you unload that and put it over there" and the drivers' response is "that's not my job", then you know what I mean. You or your rep will hear it loudly, "DON'T SEND THAT DRIVER HERE AGAIN". Or, you may just not get the next order from the customer. It is important to know when you need to absorb the additional cost of a company truck for better service. That is not always a financial decision. Why? Because of service! Making deliveries on-time, when and where your customer requires it, is going the extra mile. On-Time and courteous delivery service is expected!

Knowledgeable staff

Having a knowledgeable staff is very important when someone calls into your company or when your sales rep visits the customer. The ability to answer a customers' questions on product application, as well as other characteristics, is invaluable. It provides an opportunity to gain the confidence of the customer and establish your company as one that has product and subject matter experts. Your CSR's, Sales Reps and Purchasing staff should all fall into the category as subject matter experts, much like a technical assistance hotline. It is not a good feeling for a customer having a need, call you and he cannot get an answer from your staff. If he calls another supplier and gets the answer, rest assured that he will call them again. The door is now opened to your competition. That is one more opportunity for the competition and one less opportunity for you. Now that doesn't mean that all is lost. There is a second chance and that goes a long way. How do you achieve that? You let the customer know that you will get them an answer. Your staff now either creates a chain of internal correspondence (i.e. email, text, hotline etc.) or contacts the manufacturer or their Representative to get an answer. Most important is to let the customer know that you will get back to them in a reasonable amount of time. Your responsibility is to get the information fast and you must get back to them, even if you don't get the answer. People like honesty and appreciate effort and that too, goes a long way. This service and courtesy, while harder to quantify like other hard data, is invaluable. If successful in getting the correct information, your employee may have just learned one more use of a product. This is an example of going "above and beyond" for the customer and it certainly places a nice deposit in the emotional bank account of the customer. They won't forget it. Sharing knowledge is powerful and all it takes a little extra effort.

Heroic Recoveries

There is a philosophy in business, in any company, in any industry to do your job. Just listen to Bill Belichick. But it is important to DO IT RIGHT THE FIRST TIME. The acronym (DIRTFT) is a mantra that should permeate throughout your entire organization. You see, DIRTFT is providing a service level where your customer believes that you will be there for them, fulfilling the products they need, accuracy in

ordering, and the confidence that it will be delivered on-time. However, no one is perfect and when there are human interactions, there is a chance of errors, missteps and service failures. It just happens. We are all human. As leaders, it is your responsibility to make sure that your operations are built to minimize errors and it is the rare exception and not a common occurrence.

What you do and how you react to a service failure will define you. This is your chance for a heroic recovery. People make mistakes and everyone knows it. Customers make mistakes too, and they know it. Often, the recovery to the mistake can provide a win. A customer will see the lengths that you go to satisfy their needs after a mistake and how your employees react. Do you make this a long drawn out and complex issue? Putting the customer through a “red-tape” authorization for your mistake will not go over too well. Give your CSR’s, and mid-level managers the authority to rectify the mistake without Senior Level involvement. You get the customer what they needed and deal with the red tape internally. That is your problem and not the customers. I am not saying or advocating that you ignore good conscious business practices, but you need to take care of your customer. So now you should DO IT RIGHT THE 2ND TIME or DIR2T . Just make sure the same mistake is not made again. *Mistakes happen. It is how you recover from those mistakes that defines you.*

It is obvious that there are many ways to achieve high levels of service, both measurable and arbitrary. Much of those services are applied differently to customers and, in different industries. You need to evaluate those that apply to your business and the levels that must be achieved. Those that I mentioned are important for most (if not all) distributors. I use a comment “you can’t improve what you don’t measure and you can’t measure what you don’t know”. Measurement is the basis for improvement for the levels of service that you provide. Regardless of the industry you are in, nothing means more to the growth of your business than continuously raising the bar and exceeding the expectations of your customers. Service is not free. Trucks are not free (you heard that Sales Reps!). It is so important that you review all aspects of your cost to service model so you can afford the services that you want to provide and still be profitable. It is easy to “give away the farm” only to find out at the end of the year that you have no profit. Removing costs from your operation allows you to provide improved and enhanced services that your competition cannot. That will help you grow. You see, if you are constantly improving (even if it is not required of you), you will always remain a step ahead of your competition. And that should be your expectation.