



Japan-ASEAN Cooperation



Sustainable Human Resource Development in logistics services for ASEAN Member States

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Sustainable Human Resource Development in logistics services for ASEAN Member States

Logistics Planning & Analysis

Chapter 9

Customer Service



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Objectives

- Understand why customer service is important in logistics & logistics planning.
- Examine the elements of customer service.
- Appreciate the strategic advantage of customer service.
- Examine the cost of service and profitability matrix.



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Introduction – Importance of Customer Service in Logistics

- Logistics systems are constantly improved to shorten delivery time in effort to support customers' needs.
- Good customer service is the lifeblood of any business.
- Customer service is an organization's ability to supply their customers' wants and needs.
- Excellent customer service is the ability of an organization to constantly and consistently exceed the customer's expectations.



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Elements of Customer Service

- Customer service is not confined to just the face-to-face communication with customer.
- It encompasses a broader aspects and include the infrastructure elements such as buildings, IT systems, warehouse, transports as well as the soft elements such as employee, culture, software tools, policies, procedures, and etc, all blended into one that operates in unity to satisfy customer and are considered as having value to the customer.

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Elements of Customer Service

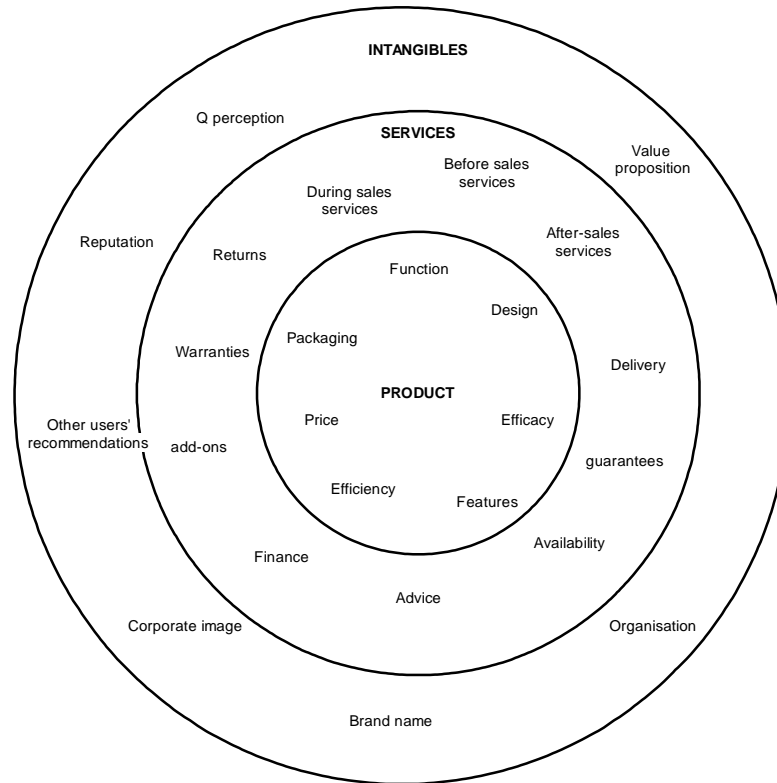


Figure 9-4: Value Vs Cost Advantage

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Competitive Advantage

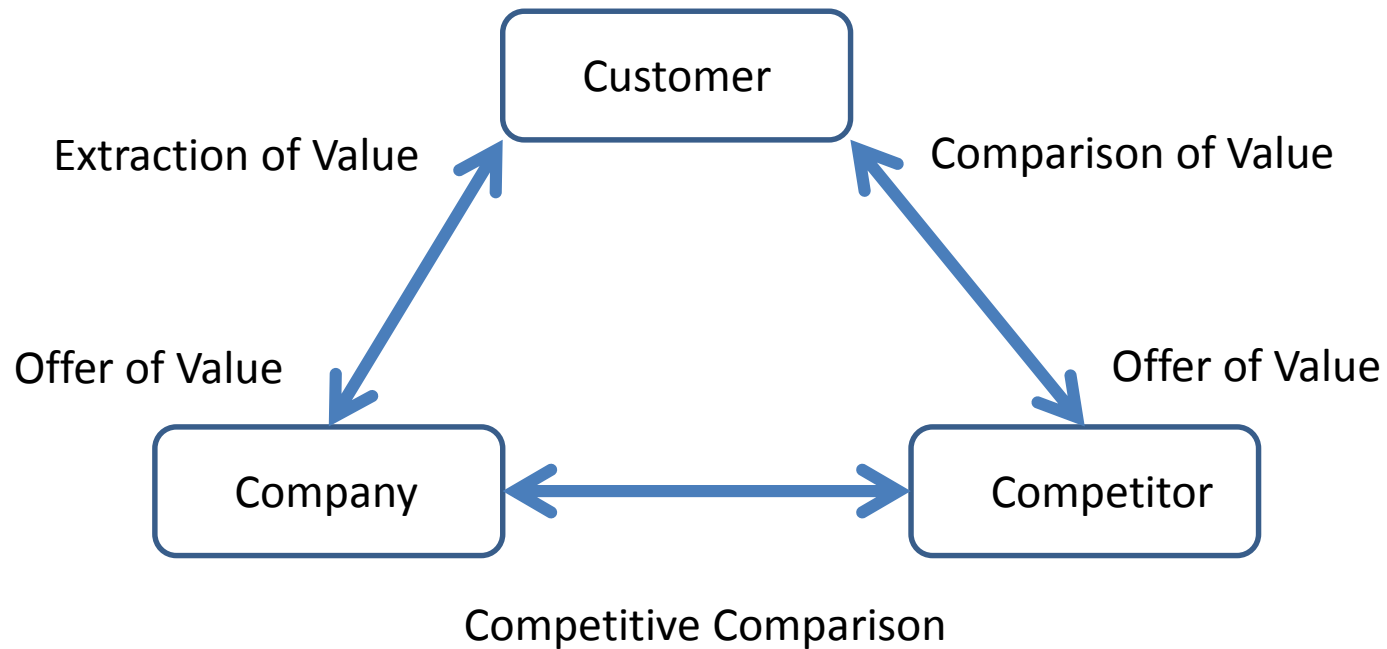


Figure 9-3: 3C Customer Advantage

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Competitive Advantage in Logistics

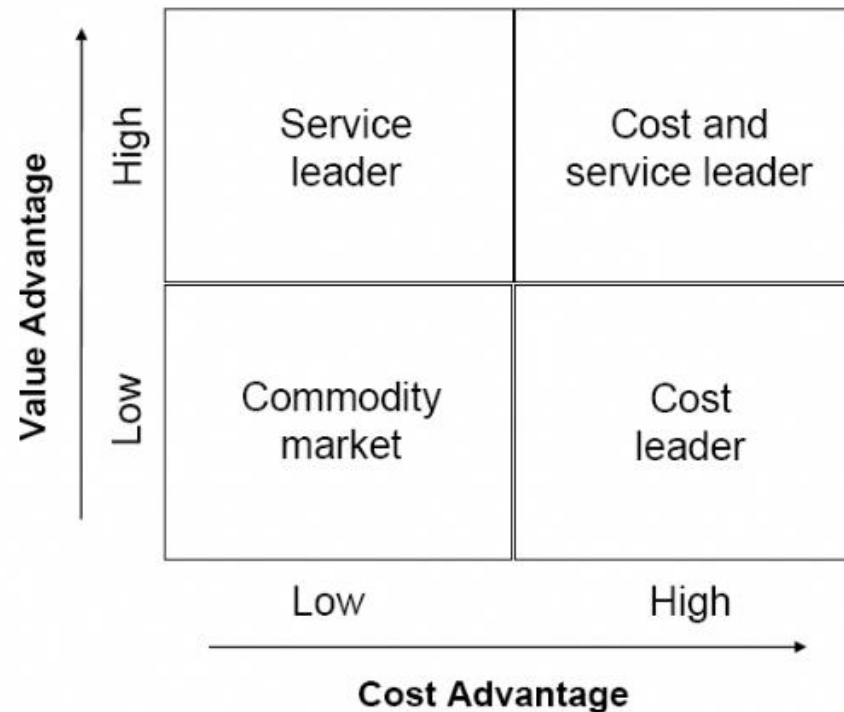


Figure 9-4: Value Vs Cost Advantage
(after Porter, 2011)

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Competitive Advantage in Logistics

Quadrant	Characteristic
Commodity Market	Both Value advantage and Cost advantage are minimal and profit margins are thin. Customers do not perceive value and will not pay.
Service Leader	Companies that operate in this quadrant are able to deliver on products and services that are highly valued by the customer even though the cost advantage is minimal.
Cost Leader	Companies that operate in this quadrant are able to provide the lowest cost relatively to the competition. Customer that uses the products and services of these companies look for cost as the only key value.
Cost & Service Leader	Companies that operate in this quadrant are able to provide great value at the lowest cost.



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Customer Service as a Value Differentiator

- Value advantage such as reliability and responsiveness are gotten only from years of experience.
- The learning curve for new start up is always steep and it will take a while before they can become serious challenger.
- The value proposition that customer seek will not remain static.
- It will change as the customers strive to move towards extracting more value from its vendors.
- Suppliers must provide new value proposition.



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Customer Value Chain in Logistics

- Customer service is an important part of the logistic equation for creating the value differentiation or advantage.
- Because each customer preference and perception of value will be different, it is critical that a company is able to accurately link the customer value to its supply chain and logistic strategy.

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Customer Value Chain in Logistics

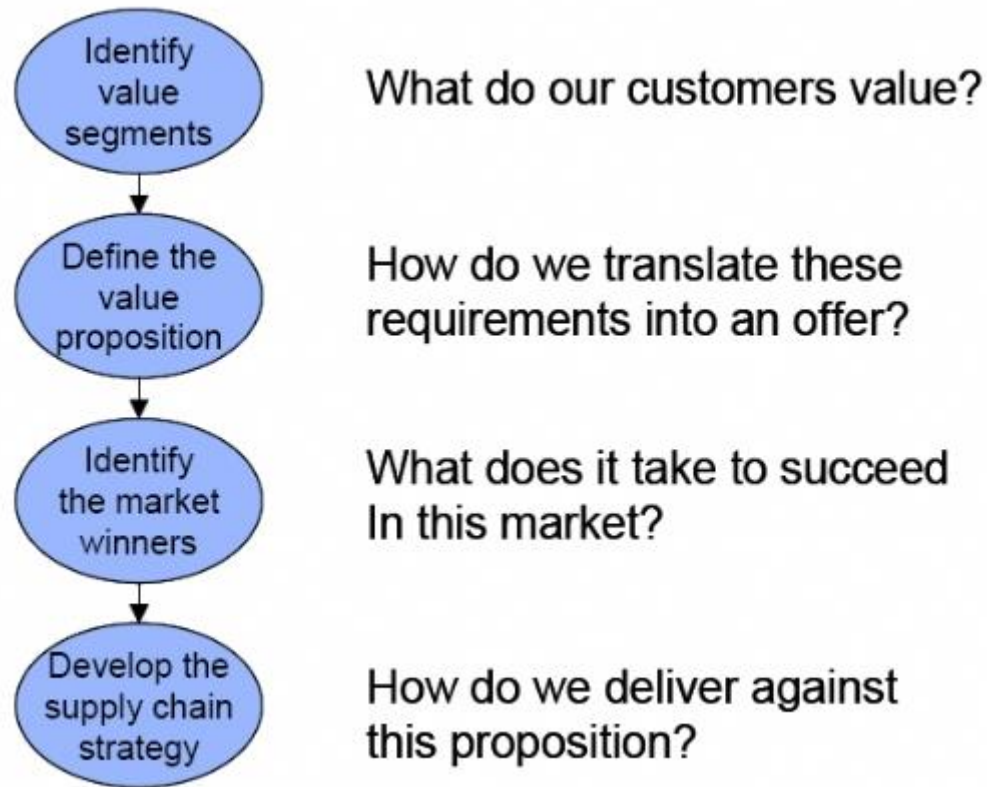


Figure 9-4: Value Vs Cost Advantage

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Cost of Customer Service and Pareto 80/20 rule

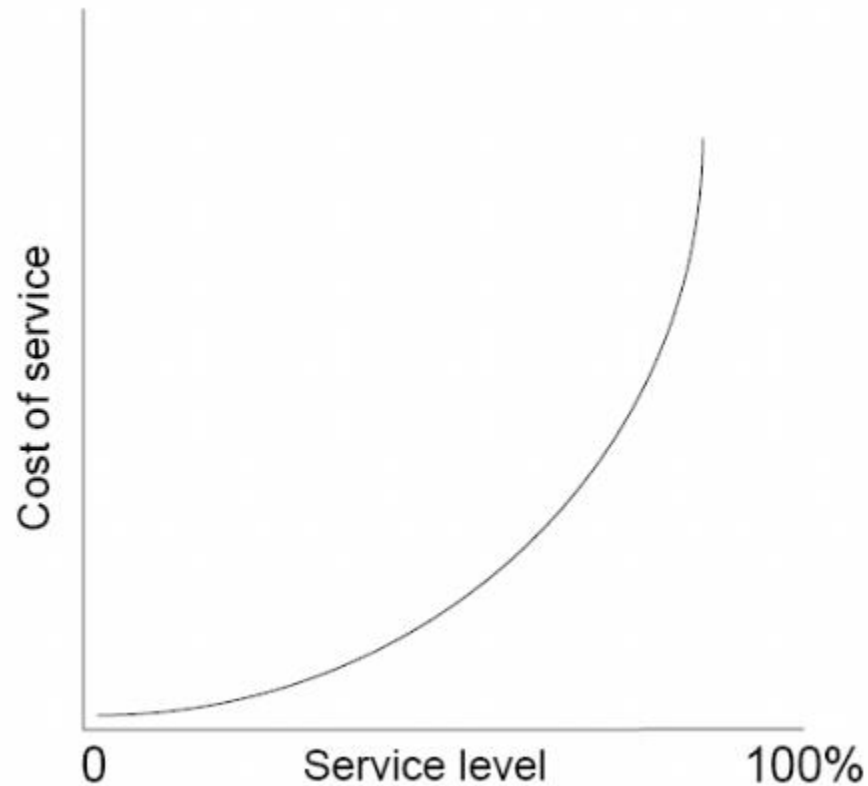


Figure 9-4: Value Vs Cost Advantage

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Cost of Customer Service and Pareto 80/20 rule

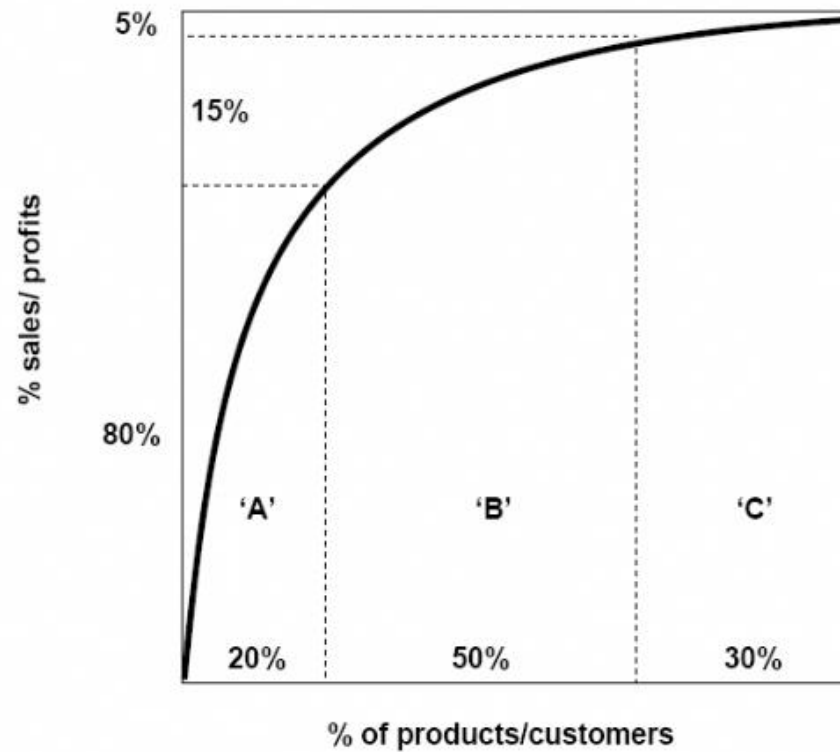


Figure 9-4: Value Vs Cost Advantage



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Differentiated Customer Service

- Not all services or products should be provided the same level of customer service. This is a fundamental principle for logistics planning.
- Different customer requires different service requirements.
- Example: The slow-moving items should be located only at centralized stocking points such as plants. As a result, each stocking point may contain a different product mix.



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Conclusion

- Before anything else, customer service must be built into the planning. It must be a deliberate effort.
- Customer service is a business's ability to satisfy its customers.
- The core of customer service is to bring old customers back (and attracting new ones through the “good news” that current customers are spreading about your business).
- Customer service is therefore an important element in logistics itself and also in logistics planning.