

The Significance of Customer Service in Logistics¹

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Customer service is one of the most significant processes of organisation, including the logistic area (logistic systems). This work presents chosen aspects and characteristics of customer service in relation to logistic systems. The paper includes valuable hints for the executives regarding the creation of proper level of customer service, followed by the customer`s satisfaction.

Keywords: customer service, logistics systems.

1. INTRODUCTION

Nowadays there are still problems with the correct location of the customer service area. Customer service is a basic term in marketing and logistics. However, not so long ago customer service was related mainly to marketing. It is due to the definition of marketing which says that it is a management of 4 „Ps”. However, in practice only the three „P” phenomenon functions: product, price and promotion. The fourth element is a place hardly ever regarded as significant in the mainstream of marketing (now the „7Ps” concept is binding).

These days it is observed in various markets that the loyalty towards brands is decreasing and that customers buy non branded items. It is due to their price. The advancement of technology gives a possibility to make a cheaper substitute product which fulfils functions of the original and meets customer`s expectations. In the situation when it is more and more difficult to maintain the competition supremacy owing to the product itself, customer service is the factor that distinguishes companies among others.

“In Search of Excellence” is one of the greatest bestsellers on management in recent years.

The authors drew the attention of the executives (but not only) to an obvious fact that the sale grows owing to purchasers, and the most successful companies are those which have the most clients and are able to keep them. However, it is necessary to point out that companies started paying more attention to their clients when the recession started.

Most likely there are two factors which contributed to the growth of the meaning of customer service in the battle with competition.

First is the fact that customers` expectations are increasing. The industrial purchasers also expect a better service, especially that more and more of them are switching to a “just-in-time” production mode.

Another factor is the fact that the markets have turned into „markets of goods”. It means that the significance of commercial markets is getting weaker while the technologies applied for the production of competitive products are getting homogenized. Therefore, the buyer cannot notice any important difference between them. So, if a customer has two similar products to choose from, they will base their decision on the price or company`s image. However, the paramount element will be the availability of product. Thus, in the market of goods and services the success is more dependent on the level of services offered by the company [11].

¹Paper based on: Barcik R.: *Logistyka dystrybucji*, Wyd. II ATH, Bielsko-Biala, 2005.

2. CUSTOMER SERVICE IN THE LOGISTICS SYSTEMS

Customer service is the basis of both marketing and logistics. Financial policy of a company is also crucial. Marketing actions are focused on the salesmen's competence, warranties and other performances aiming at the increase of demand, and the financial policy is related mainly to payment conditions. Logistics heads to the improvement of the flow of goods. Logistic, financial and marketing actions are perceived as one offer where it is difficult to establish the role of particular elements. It is however doubtless that logistics is more and more important in this area.

Customer service is most precisely defined by all its elements. Among them, the most important is order cycle time – a period of time from ordering to receiving goods. Due to its superior importance order cycle time and a skilful management of the order are often regarded as customer service [5].

Customer service is now the most important term in logistics. The fact it is so important and that this importance grows is a result of the following factors:

1. Changes on the international markets (globalisation and production) have forced companies to strengthen competition and increase the quality of offered distribution services. These services are more important for the commercial success than basic elements of marketing, like price or product. In the times of globalisation of commerce and production, customer service becomes a great tool to win with the competition. The number of deliveries has become the most significant measurement of the level of customer service.
2. Adaptation of some philosophical theories and their expensive implementation have an influence on general financial condition of the companies and their position in the market. The companies are forced to a continuous confrontation of logistic operations in the area of deliveries according to the service policy and strategies.
3. Necessity to maintain a high level of customer service which demands monitoring devices and a system of control of logistic processes.
4. Discrepancy between offered level of a service and customer's order cycle time may result in highly negative economic outcomes

for companies. This refers both to companies which offer a high level of customer service and those which offer a low one. If the level of customer service is higher than customer's financial opportunities, the producer suffers losses as serious as when too low level of service does not satisfy buyers, and gives a chance to the competition.

Under pressure of changes on the market producers, distributors and logistic services offer their clients reliable deliveries, comfort in servicing, necessary communication related to orders and shorter delivery time. The basis of such an offer are great logistic skills which have been developed throughout many years when companies work on their knowledge and skills in the field of distribution and servicing. Along with the practical side, the theoretical one is being developed as well.

The providers of goods enumerate three views of a customer service[5]:

1. Customer service as an activity: a set of activities to perform in the ordering cycle related to the delivery.
2. Customer service as performance levels: standards of performance of particular elements according to customers' expectations.
3. Customer service as a management philosophy assuring a stable and high position on the market.

In customer service all the above ways are taken into account starting from the last one.

In the first stage a servicing organisation (producer, intermediary, seller) is completely oriented on the customer. This means that customers are most important and goods are used in a way allowing to get to know and cater to their needs. It is hard to determine compatibility with the philosophy of service and for this reason in the second stage there are set standards which evaluate how particular elements are performed. They are usually measurable and it is easy to standardize them. Next, a few elements are identified, but this still does not meet the expectations of the customer. Therefore, there is a third stage which allows to perform and evaluate actions connected to the service. To do so there has to be properly trained staff and necessary information. This

guarantees an effective customer service and provides them with right information.

Logistic systems are one of functional sub-systems of a company. The remaining ones are: marketing, production (in production companies) and finance. Among logistic systems there are systems oriented on customers.

Due to present situation on the market, these systems are very important. Their aim is to fulfil basic goals of customer service by means of company's management support.

These days, the competition is fierce. Among others, it is related to the diversity of products and their substitutes, technological and production capacity.

Today the only thing that is certain is change. Therefore, a company has to be intelligent and ahead the actions on the market. It is not enough to react to them. Companies cannot afford to prepare improper systems and logistic strategies. To prepare them it is necessary to analyze the market thoroughly with a stress on the needs of a sector the offer is aimed at and determine the way which will be followed in the search for cheap and reasonable logistic solutions.

It would be ideal if logistic systems and strategies were prepared in the following stages:

1. Audit
2. Setting goals and standards of service.
3. Preparation of logistic systems.
4. Control of the created system.

Figure 1 presents detailed actions performed while creating strategies of customer service on the basis of which particular stages have been determined.

Audit. This stage involves a detailed review and evaluation of the foregoing customer service. Current competitive position is also determined and market's requirements with company's capability is compared as well. The audit is performed with the participation of present and potential clients of the company.

Clients set and position the key elements of customer service. Their reaction to the availability of products is also tested. Apart from that, requirements to the execution of order, information, securing of product are identified. Ideal audit involves a precise study of the services offered by the competition since such information favour competitive service strategies. Audit is performed from time to time, inside and outside the company to state if changes taking place at the

moment are so significant that they require an alternation in the applied strategies.

The control of the created system is very important and cannot be omitted. To ensure a flawless functioning of the system, it is necessary to establish procedures of monitoring and the audit of system actions. Control procedures should be sensitive to departures from the determined level of service and capable of correcting actions activation.

Strategic solutions of logistic problems involve control gaining over a set of critical elements, such as transport, production capacity, inventory, supplies, customer service, IT systems and their operational integration aiming at creation of an effective basis for a supply chain management.

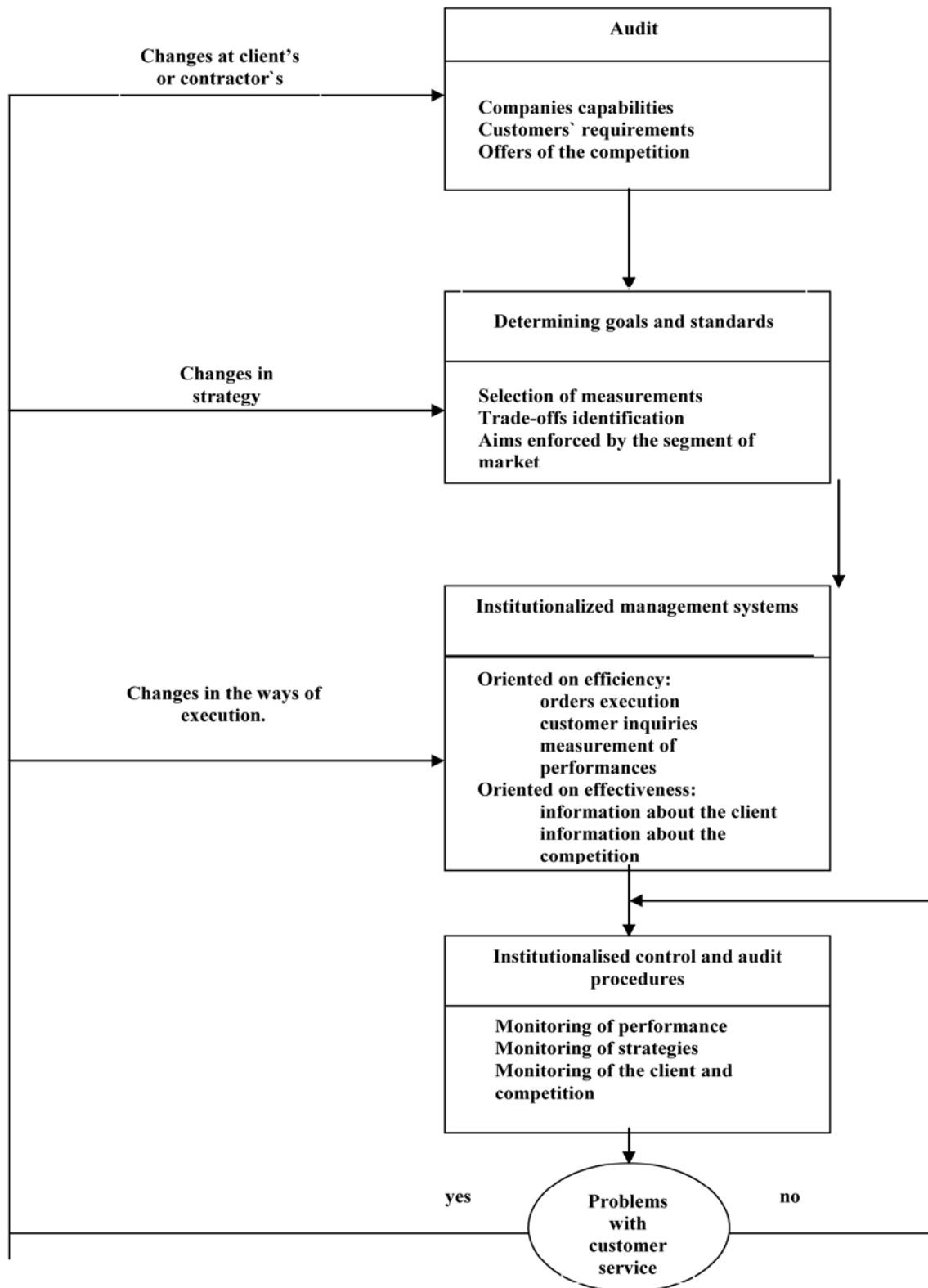


Figure 1. Creation of strategies of customer service.

Source: [5].

3. SUMMARY

The one and only standard we should aim at is a 100% accordance with customer's expectations. It involves the understanding of recipient's requirements, but also obligates the supplier to create these requirements. In other words, the offer should match the expectations. This may enforce the negotiation of the service standards because the level of service which would lead to a constant lowering of profitability is not of anyone's interest.

Above all, it is necessary to establish the internal standards of a service. They need to reflect the outside standards which are enforced by the purchaser who has determined them. This requires a test of customers and benchmarking (a method based on surveys performed by means of points of reference) which allows to determine rules of customer service in each segment of the market. It is possible to point at a few key areas which application is necessary:

- time of order cycle,
- availability of inventories,
- limitations to the size of order,
- comfort of ordering,
- frequency of delivery,
- reliability of delivery,
- quality of documentation,
- procedures for complaint,
- completeness of order,
- technical support,
- information regarding the stage of realization.

All the above may be defined by numbers in relation to client's requirement. They may be compared with the results of the competition.

It is necessary to remember that for customers there are only two levels of order execution – either in 100% or in 0%. The recipient gets what they ordered in time or does not. Unfortunately, the figure of 100% is incredibly difficult to achieve. Practical experience shows that quality cannot be identified with customer's satisfaction as they may buy a low-quality product since the expectations are not very high. Similarly, the customer may be negative towards a high-quality product due to its high price. It is customer's satisfaction not quality that is a priority in management.

In ideal conditions a company should establish standards of actions and control the work in relation to the criteria. For instance, if we base on the division of work into pre-transaction, transaction and post-transaction elements, the

following criteria of work evaluation should be applied:

Pre-transaction:

- availability of inventories,
- target delivery dates,
- waiting time to inquiries.

Transaction:

- proportion of orders fully executed,
- timeliness of deliveries,
- completion according to the order,
- delays in transport,
- substitute products.

Post-transaction:

- repairs,
- complaint,
- returns/complaints,
- mistakes in invoices,
- availability of spare parts.

While establishing the aims of customer service and standards the following factors are useful: ABC analysis, tests regarding customers reaction to a scant availability of products and varied benchmarking techniques.

The only way to succeed is a creation of a superior satisfaction based on solid bonds between a company and a customer. Meeting of present expectations of clients along with the anticipation of future ones may be the company's idyll. The customers will know that their needs are most important and will be satisfied.

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