BEST PRACTICES

MANAGEMENT BEST PRACTICES USED IN ROMANIAN LOGISTICS
CUSTOMER SERVICE PLANNING

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Abstract
There are no standards which one could use for establishing approximately or precisely whether the management of an organization is good or bad. There is management best practices as alternative, sooner elaborated advices then rules imposed to a manager, which can improve management processes. This article contains management best practices used in logistics for customer service planning. The results are a part of the research undertaken inside the doctoral thesis by the first author of this article.

Logistics is the group of activities of the firm which insure the flow of materials, parts and final products from firm’s suppliers to its customers, but also inside the firm. At firm’s level logistics is usually perceived as a cost. We believe it is necessary that firm’s management to observe that logistics insures goods transfer, at a certain costs level, but also at a certain customer service level. The interest of management should be though expanded from cost management at demand planning and customer service management. We exposed further best practices regarding customer service planning in logistics. The article has in the first part theoretical details regarding customer service, but also regarding management best practices, in the second the elements of customer service, in the third management best practices found at international level, while the fourth part contains the evaluation of best practices usage and knowledge by the Romanian managers.

In conclusion, Romanian managers could be considered sooner reactive than proactive regarding logistics customer service planning. Regarding knowledge level, the exposed methods are scarcely known, while the usage level can be improved.

Keywords: management best practice, logistics, customer service, utility

JEL classification: L23, L25, L26, M11

Introduction
Logistics – the movement of goods at global level has become an important subject on the agenda of economists, politicians and ecologists especially after 2000 and once more with

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the actual economic crisis. Logistics has been perceived as a cost once with the introduction from military field to business in 1950-1960 by the Americans. At the present moment the discussions extend, beside the 10 percents paid by the high performing nations for logistics (other can pay greater amounts, near 25% from the Gross Domestic Product), logistics has many external effects (affecting the environment), but also social effects. The external effects expressed by pollution and irrecoverable affection of the environment, the consumption of fuels, congestion, are still so many subjects the great people of the world consider today.

We focus on business logistics, and on a less approached subject at international level, customer service (there are some problems with this term in Romanian, we have chosen the most easily to used by the Romanian people). Customer service is that intangible part, often associated with the product or the main service, which makes customers to return and buy again from the firm, or contrary, makes them refusing to continue buying the product or the services of the firm.

The international research regarding customer service consists on identifying the main elements of the customer service. Recognized models present the elements logistics managers should analyze and consider once with performing logistics and realizing also customer service.

The present research had as main goal the study of management best practices useful for customer service planning in logistics.

The paper has four parts: a theoretical one, which contains the definition of management best practices, customer service and the presentation of role that customer service has in firm’s strategy deployment, the second part contains the main models referring to the customer service elements for logistics; the third part presents management best practices identified at international level regarding logistics customer service planning, while the fourth part contains the results of a study regarding the knowledge and usage level of management best practices used in logistics customer service planning by Romanian managers. The study has been performed in March-April 2009 using the internet; the number of respondents is 102.

The main conclusions are that Romanian managers do not know these management practices in detail, while the practices they have at the moment have a reactive character.

This article is the continuation of the study of this research field, study succeeded with the publishing of several articles exposed between the references.

1. Theoretical details

When buyers select their suppliers, very often they choose between several similar products. Though, they choose only one supplier. Why? Because they buy also the associated service processes, because every manufacturer is also a service company.

Defining customer service – customer service is the placement element from the marketing mix, the result of firm’s logistics respectively. Concisely, according to Lambert et al., (1998, pp.40), we can measure customer service by the level of time and space utility
created by the firm – is the product at the right time to the customer? Is the product available to the right place?

An appropriate approach for customer service can be made using the utility concept. Utility is the capacity of a product to satisfy customer needs. When we buy a product, we buy it because it is useful – it will be used for a specific activity or for satisfying directly a need – it is useful itself – it has a formal utility because it is used. We buy more than this product: it is useful the fact that it is present – it has a space utility, it is useful for being present in this moment – it has incorporated a time utility, it is useful because it is capable to satisfy our image needs - it has a possession utility incorporated. (Figure no. 1)

![Utilities contained by a product](image)

Logistics is that process of the firm which decisively contributes to space and time utilities achievement, having a contribution in creating form utility by the fact that through supplying it insures the materials needed for production. In actual fact, by insuring products arrive to customers, logistics is often the last barricade in the relation with customers. Product presence, personnel attitude, modern technology availability or modern communication means could be considered by a client, consumer or business client, elements of customer service.

Customer service is a customer perception that does not depend on the measures taken by the company. While, for instance, a company may choose to define stock availability as the main indicator, the lead time factor of the delivery might actually be more relevant to the customer. It is therefore important for the company to define customer service in accordance with the customer's views and expectations.

*The role of customer service in fulfilling the company strategy* – While until recently, the differentiation used to be made by product (formal utility) or by promotion (possession utility), nowadays, Christopher (2005, pp.45) affirms that companies are increasingly put under pressure by customers to provide product-related services (the placement in the marketing mix) of the highest quality. We may regard this process as a global technological convergence, as the companies are no longer able to differentiate themselves by products alone, which explains why the related service has become extremely important. It is namely
one of the few elements that a company can still resort to in order to create additional value, and, consequently, to outperform its competitors.

2. The elements of customer service

We have long time promoted in our articles the inbound elements of customer service which a company can very easy measure and manage. Cycle times, stock out levels, system accuracy, are all realized without the participation of customers. This is the classic paradigm on logistics customer service and logistics service quality. We shall further present these classical models, but also the new models used for identifying logistics customer service, which are more customer – outbound oriented.

2.1 Classical models

The old logistics customer service is also called operational customer service. This operational customer service is translated to customer as consistent quality, productivity and efficiency according to Davis (2006, pp.35). There are further exposed the transactional model and the basic customer service model.

The transactional model – the most frequently applied model, designed by La Londe and Zinszer and further developed by Ilies (2003, p.143-179), Christopher (2005, p.48-49), Rushton et al., (2006, p.36-40), Lambert et al., (1998, p.44-56). This model highlights the elements of customer service in relation to the moment of the transaction between the seller and the buyer – that's why they are designated as “transactional elements of customer service”. The steps of a transaction are: pre-transaction, transaction and post-transaction. The La Londe and Zinszer model will be summarized below:

a. The pre-transactional elements of customer service refer to the company policy concerning customer service before the transaction itself. These elements must be drawn up before the service is provided to the customer – before the carrying out of the activity:

- Customer service policy – must comprise details pertaining to the level of customer service – including related performance indicators and measurement frequency. The people in charge with implementing this policy into practice are also appointed at this stage.
- A written statement of customer service policy – the company must communicate the level of service to the customers. This helps the minimization of the inconvenience of customers expecting an unrealistic level of performance. It also defines the means by which the customer stays in touch with the company for exchange of information or complaints, in case that the specified levels of performance are not met.
- The organizational structure must be designed in a manner that enables the achievement of two goals: to facilitate the successful implementation of customer service policy and to facilitate the communication and cooperation along the chain of command and between all job positions involved in the implementation of such policy, respectively to ensure a proper communication with the customers, including reception of feed-back after the service has been provided.
- System flexibility – clear contingency instructions must be devised, in order to make sure that the customer service continues to be provided even under the most adverse circumstances, such as natural calamities, strikes, raw material shortage,
energy crisis etc.

- Management services – i.e. free consultancy services offered in order to help the customer improve his inventory management and ordering.

b. The transaction elements include elements that customers themselves tend to perceive most often as service; these elements should therefore be a reflection of their needs:

- The stock out level – is a measure of the product's accessibility. The stock out level must be measured per products and customers, in order to identify the problems that might occur. In such cases, the company must offer appropriate alternatives to the customers, such as procurement from alternative sources or emergency delivery as soon as the stocks are replenished;

- Order information availability – i.e. Company's capability to inform the customers, in a clear and prompt fashion, about any issues concerning the characteristics of the order or the delivery date. A common wish of all customers that the company must take into account is to be able to keep track of orders, whose delivery is delayed for various reasons.

- System accuracy – apart from the amount and availability of information, another highly important factor is the correctness / accuracy of the information. They have to be put down on paper, recorded, solved, assessed / measured. The errors that occur in the system pertaining to ordered products and quantities, invoicing etc. are additional costs for both manufacturers and customers. They can be calculated as a percentage of the total number of orders.

- Consistency in order cycle where “order cycle” denotes the total time taken to execute an order, i.e. the time between the reception of the order issued by the customer and its delivery. The individual steps of the order cycle are: the submission of the order, the order process, the registration and the delivery. Customers are usually more concerned about the consistency of the order cycle, rather than its duration. Surveillance and timing of the cycle steps are therefore important, in order to determine any cause of delay and/or malfunction. Order cycle is itself an indicator of customer service.

- Special handling of shipments refers to those cargoes that are not delivered by the regular delivery system. Although special consignments may entail higher costs, the costs of customer loss may be even higher. It is important for the company to select those customers for whom such policy would be appropriate, especially those who have a substantial contribution to the company's profitability.

- Transshipment – denotes the cargo transfer between several locations of the company, in order to avoid stock shortage. The company must devise a transfer policy, in order to avoid delayed or emergency deliveries.

- The order convenience – refers to the handiness that is offered to the customers when placing an order. For instance, customers are less satisfied when they have to fill in non-standard order forms or wait on the phone for a long time, which may lead to the decline of the relations between manufacturer and customer. All issues related to orders must be solved by direct communication with customers.

- Product substitution. The substitution occurs when the ordered product is replaced with a similar one of a different size or with a different product that has similar characteristics (or possibly better ones). In order to develop an adequate product replacement policy, the manufacturer must cooperate with the customers in order
to inform them and to receive their consent. An effective replacement program requires proper feedback between manufacturers and customers.

c. The elements of post transaction have the role to support the use of the products after sale. The elements are:

- Installation, warranty, repairs, and service parts. These elements might constitute important factors in the buying decision, they need to be measured, evaluated in a similar way to the elements of transaction. To accomplish these functions you need the following: technical assistance in order to establish if the product is working accordingly in use, accessibility for replacements and/or repairing, ensuring the paperwork for the measurement and for the supplying of the appropriate spare parts, settlement of the way in which the guarantees are validated.

- Product tracking – it refers to the pursuit of the products from stages before production, distribution, and use of the client with the purpose to eliminate the faulty or inadequate products, to avoid the litigations with the clients.

- Customer complaints, claims and returns. Basically, logistics systems are designed to move products in a certain direction, and that is to customers. Almost every producer has returns, which affects the total distribution expenses. An appropriate policy of customer service must include the way in which the claims, the complaints and the returns are solved.

- Product replacement – it refers to offering a different product for a temporary utilization, as long as the product the client bought is in service. This element of customer service plays an important role in the increase of customers’ loyalty.

Basic customer service – is a model established by Bowersox et al., (2002, pp.73-79), realized considering clients’ perception. A client can perceive the following elements:

- Stock availability- it refers to the existence of the inventory when it is claimed by the client. How strange it may appear, there are companies which have demand from clients, but they cannot deliver it, because they haven’t used money (for buying inventory), or the information for putting the necessary inventory at the clients’ disposal. Availability isn’t based on the measurement of the average level of the inventory, it is based on indicators like: stock out frequency (measured by the number of days in which the inventory of one product is zero), fill rate (measures the magnitude or impact of stock outs on the delivery to the customers and it measures as a ratio between the delivered quantities and the quantities that should have been delivered – by products, by clients) and orders perfectly shipped (as a ratio between the number of perfectly delivered orders and the number of orders received by the company).

- Operational performance – deals with the delivery performance, and also the time required to deliver customers’ orders, measured by order cycle speed (the elapsed time from when a customer establishes a need to order until the product is delivered), order cycle consistency (ratio of the deliveries which meet the time planned for the order cycle), flexibility – a firm’s ability to accommodate special customers requests (harder to measure), malfunction recovery – the ability to repair the problems regarding customer service.
• Service reliability- the firm’s ability to deliver the shipments damage free, on time, complete, to the correct locations or even to announce in time the delays in order to remediate the situation by the client at internal level.

The measurement at firm’s level can be accomplished through the level of perfect deliveries – as an overall result of customer service- which means availability, operational performance and the service reliability also.

2.2 Modern models

The modern models start from the next focus change: from efficiency (doing the things right) to efficacy (doing the right things), taking into account customer needs. Davis reveals a new term – relational customer service (2006, pp.35), which is translated at firm’s level in a continuous customers needs’ identification and a very fast adaptation at these needs in an efficient manner.

The modern models are not well established, though there are three elements for this new type of customer service which shall be measured:

• Assurance – generated by the level of knowledge, courtesy and personnel abilities;
• Responsiveness - the willingness to help customers and the receptivity to their new needs;
• Caring – the capacity to insure particular attention to clients, to take into account each problems one client has.

As a conclusion, we can state that the department needs to establish a level of customer service that represents a frame of the deployment of logistics activities, taking into consideration the elements of customer service identified either directly through questioning the clients or potential clients, either through using the models mentioned above of classifying customer service’s elements.

3. Management best practices for planning logistics customer service level

There are several methods to establishing the customer service level:

Segmentation of service levels consulting the clients – Christopher (2005, pp.61): – the firm has to take into account that clients have different needs regarding customer service level.

The segmentation of clients by categories of customer service is realized in more stages:

• Identifying the key components of customer service as they are perceived by clients. This stage is accomplished firstly by identifying the purchasing person within the client company. Afterwards, there has to be established an interview with these persons and has to be found out the importance of customer service in purchasing decision, between the other elements of the marketing mix. In this way the key aspects of customer service are defined and it is observed which aspect is more important than other – which one is the client more easily to renounce?
• Establishing the relative importance of customer service elements- it can be accomplished through the questioning of the purchasing responsible person from the client firms. The questionnaires can include scenarios like what they would choose between an element and other of customer service. The interpretation of the questionnaires can be realized using computational software.

• Identifying client segments with similar preferences regarding customer service- based on the information obtained from the interpretation of questionnaires, but also using software.

*Establishing the basic level of service* – this model is based on the customer service elements identified by Bowersox et al., (2002, pp.73-80) and aims at establishing certain levels of customer service in 3 directions: stock availability, operational performance and service reliability using two methods: using the industry’s benchmarks or generating the level of those variables from firm’s marketing strategy. A similar approach has also Christopher:

The settlement of the service level on groups of clients and products using ABC analysis Ilies (2003, p.150), Christopher (2005, p.66-69), Lambert et al., (1998, pp.54-56) is based on dividing the clients and the products on categories according to their profitability. (Table no. 1)

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Subsequently there can be settled strategies of customer service for more groups of clients – in the table above groups are 1-5, 6-10, 11-15, respectively 16-20, each group having couples product-client of proximate importance for the firm which sets up the customer service level.

*Establishing the level of perfect deliveries* – Christopher (2005, pp.65) –is based on the main direction which logistics has to accomplish – on time, complete deliveries, with no errors (with regards to delivery documentation, transportation damages). Perfect deliveries are the ones that fulfill all conditions. The manager of logistics department should establish the levels for each element: 90% X 70% X 80% = 50.4%. It is observable that if the deliveries are complete - 90% of the cases, in time - 70%, without damage in 80% of the cases, than the level of the perfect deliveries is only 50.4%.

To conclude, we can state that establishing a comprehensive framework at the firm’s level regarding logistics customer service is a pretty complex activity, choosing the applicable method depends on the customer service elements which the firm delivers to the client.
4. The usage of customer service level planning best practices by the Romanian managers

The evaluation in practice of these best practices has been realized using a questionnaire sent using internet to logistics managers. Management best practices regarding customer service planning are just a small part of the practices evaluated with this questionnaire.

The goal of the study was to evaluate the level of logistics management in Romanian firms which perform logistics activities. The size of the population was calculated consulting Romanian Road Authority, the institution responsible with keeping an evidence of transportation vehicles by owners in Romania.

They have provided us a list of Romanian firms which have more than 5 vehicles registered in Romania in January 2009, a list which has 6100 firms. Unfortunately, these firms are passenger and freight transportation firms. We were not able to make a split between these two categories. Though, the population was diminished identifying the firms which have an email address, about 3000 firms. We can estimate that from these 3000 a half realize freight transportation. For interviewing and data collection we have used an electronic questionnaire in the period 15 March – 10 April of 2009. A similar study performed between 1 and 10 March 2009 for evaluating the level of usage for logistics software by the same population has proved that internet questionnaire is a viable solution for interviewing firms in this sector. For the present questionnaire there were 303 respondents, from which 163 perform only passenger transportation, the remainder 140 performing and freight transportation. From the 140 answers received from the firms which perform freight transportation, 102 questionnaires have been validated for interpretation. (Figure no. 2)

![Figure no. 2: Respondent firms and validated questionnaires](image)

For the previous administrated questionnaire, much shorter (1 to 9 in comparison with the present questionnaire), the validation rate was of 5.4% (162 questionnaires from 3000 firms which received the email). Validation rate decreases for this questionnaire at 3.4%. For the second questionnaire completion took longer, we were forced to contact some firms personally. We can say that we have in this case a controlled sample, though there are 102 validated questionnaires.
34.31% of the considered firms are joint-stock companies; the remaining 65.69% are limited partnership companies.

39.22% of the firms perform manufacturing activities, performing logistics activities on their own, being followed by commerce firms (25.49%), transportation firms (14.71%), services (11.76%) and construction sector (8.82%).

32.35% of the evaluated firms have between 51 and 250 employees, followed by the firms which have between 21 and 50 employees (18.63%), firms with more than 250 employees (15.69%), 6-10 (13.73%), 11-20 (10.78%) and 1-5 employees (8.82%). There prevail large companies between the respondent firms with validated questionnaires.

15 firms from the respondents don’t perform freight transportation activities, representing 14.71% from the firms considered in the study. The other performed activities by the evaluated firms in the study are manipulation (76.47%), warehousing (75.73%) and packaging (44.12%).

For evaluating each best practice, we have tried to find out the level of knowledge and the level of usage, for each exposed best practice the respondent having three alternatives: “we know it, but we don’t use it”, “we never heard of it” and “we use it”.

For evaluating best practices regarding customer service planning we have used the variables: “segmentation by levels of customer service”, “planning the basic level for customer service”, “segmentation using the ABC method by products and by clients”, “planning customer service level before concluding an agreement” and “establishing the level of customer service during the agreement”, with the next results presented in figure no. 3.

Figure no. 3: The usage of management best practices for planning logistics customer service by the Romanian managers
The evaluated elements cover roughly the exposed best practices; in addition we have evaluated the level of anticipation which Romanian logistics managers have.

Segmentation by levels of customer service is unknown for 25% of the interviewed persons (even customer service, even segmentation could be the unknown elements, if we were using the academic name for customer service, the level of un-knowledge would be for sure bigger), used by 40% and consciously unused by 36% of the interviewed persons. A basic principle regarding differentiated customer service for clients considering their size, strategic importance or other criterion is used by only 40% of the Romanian managers.

Planning the basic level for customer service has a smaller level of ignorance, but also a smaller level of usage – only 34%. This fact means that Romanian firms do not know what establishing an appropriate level for customer service is or that they just don’t engage a promise in this direction for their customers.

Clients’ segmentation is not used but by 19% of the respondent firms, the terms “ABC method”, respectively “segmentation” are probably the causes of ignorance regarding this method, which appears at 42% of the interviewed persons.

Regarding Romanian managers’ anticipation, for sure it can be improved. Customer service terms are established by 61% of the firms during the agreement, only 33% having established this level before concluding the agreement.

As a general view, we can state that the level of knowledge is high enough, only 22% of the options are for not knowing the evaluated element, so the knowledge level is at 78%. The usage level is low enough, of only 37%. The consciously “unusage” is of 41%.

Conclusions

The theoretical research realized regarding customer service in logistics reveals the existence of specific models well established. For management there is a source of real best practices: clients segmentation by groups even using clients consultation, even using own criteria, planning customer level at least at a basic level, the transactional approach regarding customer service (during all the commercial deal).

The quantitative research realized at Romania’s level reveals the low level of usage regarding these best practices and even a lack of interest at the Romanian managers regarding these best practices. Our opinion is that on long term we shall have a professional level for logistics and for economy as ensemble if the level of knowledge of these best practices in detail increases. Once known the benefits of implementing such practices, we believe there is a great chance that the usage level to increase.

For increasing the level of knowledge, we believe a triad of responsible parts could contribute: scientists, economical practitioners and the media, local and national. The scientists can improve the literature in the field by searching other practices applied at international level, the practitioners could organize events where the management best practices transfer should be facilitated by experienced companies, while media can contribute to the improvement of managerial culture in general.

For the future we have established to identify other areas inside logistics for which management best practices to be identified and to analyze the usage of these practices in
Romania. Management best practices are absolutely necessary for developing a Romanian competitive management.

References


