

CLTD

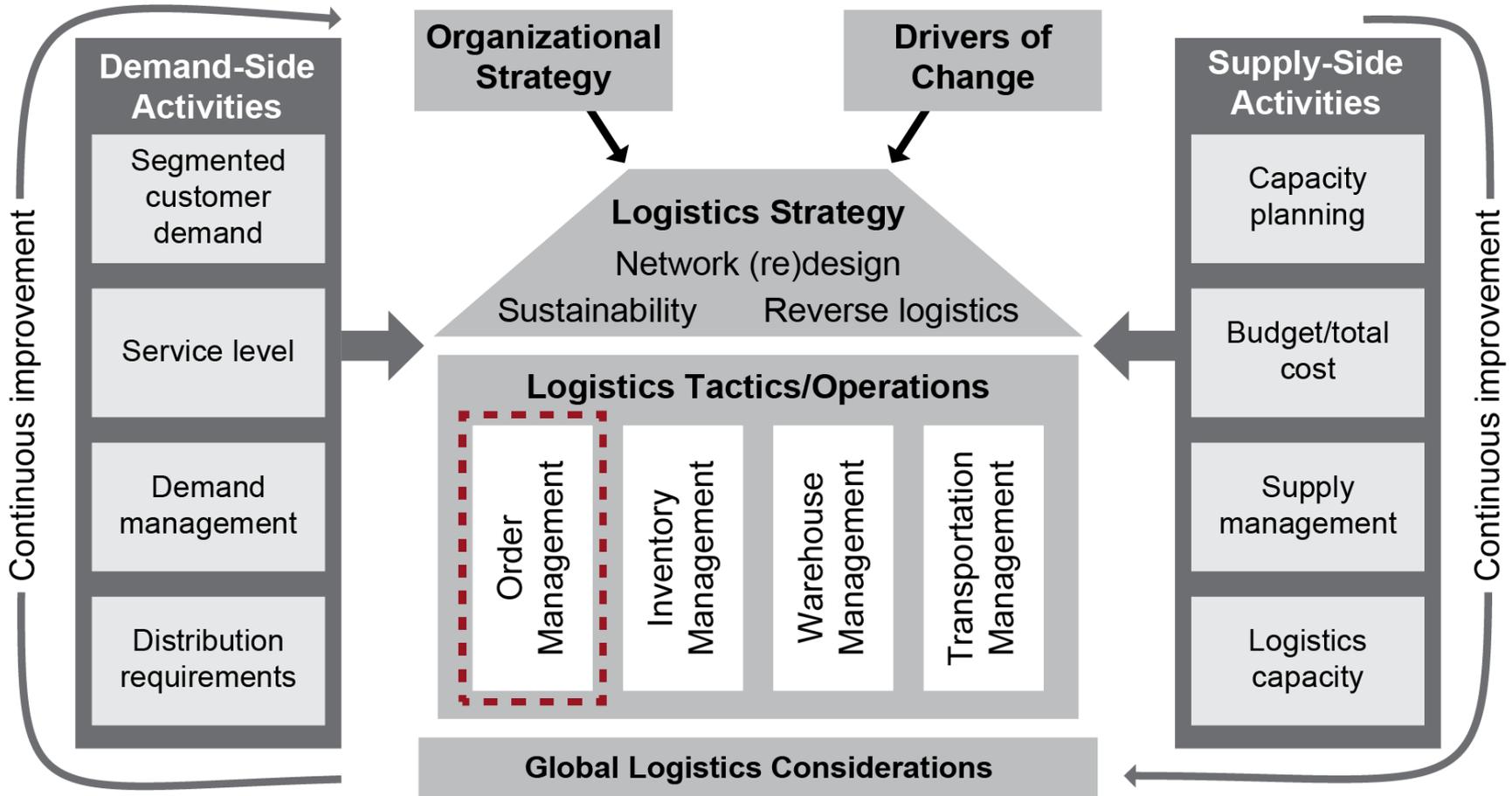
CERTIFIED IN LOGISTICS,
TRANSPORTATION AND DISTRIBUTION

MODULE 5: ORDER MANAGEMENT



Module 5: Order Management

Module 5 Overview



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CERTIFIED IN LOGISTICS,
TRANSPORTATION AND DISTRIBUTION

MODULE 5, SECTION A:
CUSTOMER RELATIONSHIP
MANAGEMENT



Topic 1: What Is CRM?

Customer Service Variables

Pre-transaction variables

- Set customer expectations
- Customer service policy in writing
- User-friendly order taking

Transaction variables

- Reliable, consistent, and professional
- Anticipate questions and concerns

Post-transaction variables

- Quality follow-up
- Prompt and accurate invoicing process
- Communication is key

Topic 1: What Is CRM?

CRM, Defined

Marketing philosophy based on putting the customer first

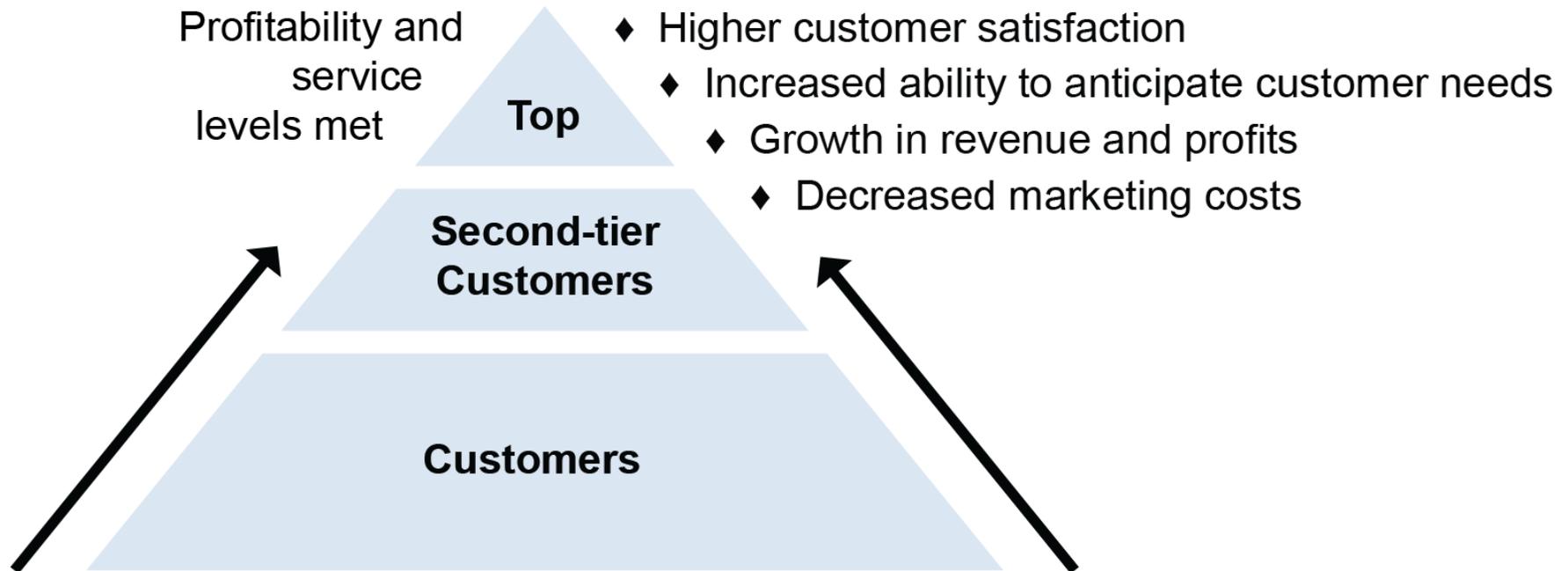
Support customer needs through:

- ✓ Account management
- ✓ Catalog and order entry
- ✓ Payment processing
- ✓ Credits and adjustments



Topic 1: What Is CRM?

Lifetime Customers



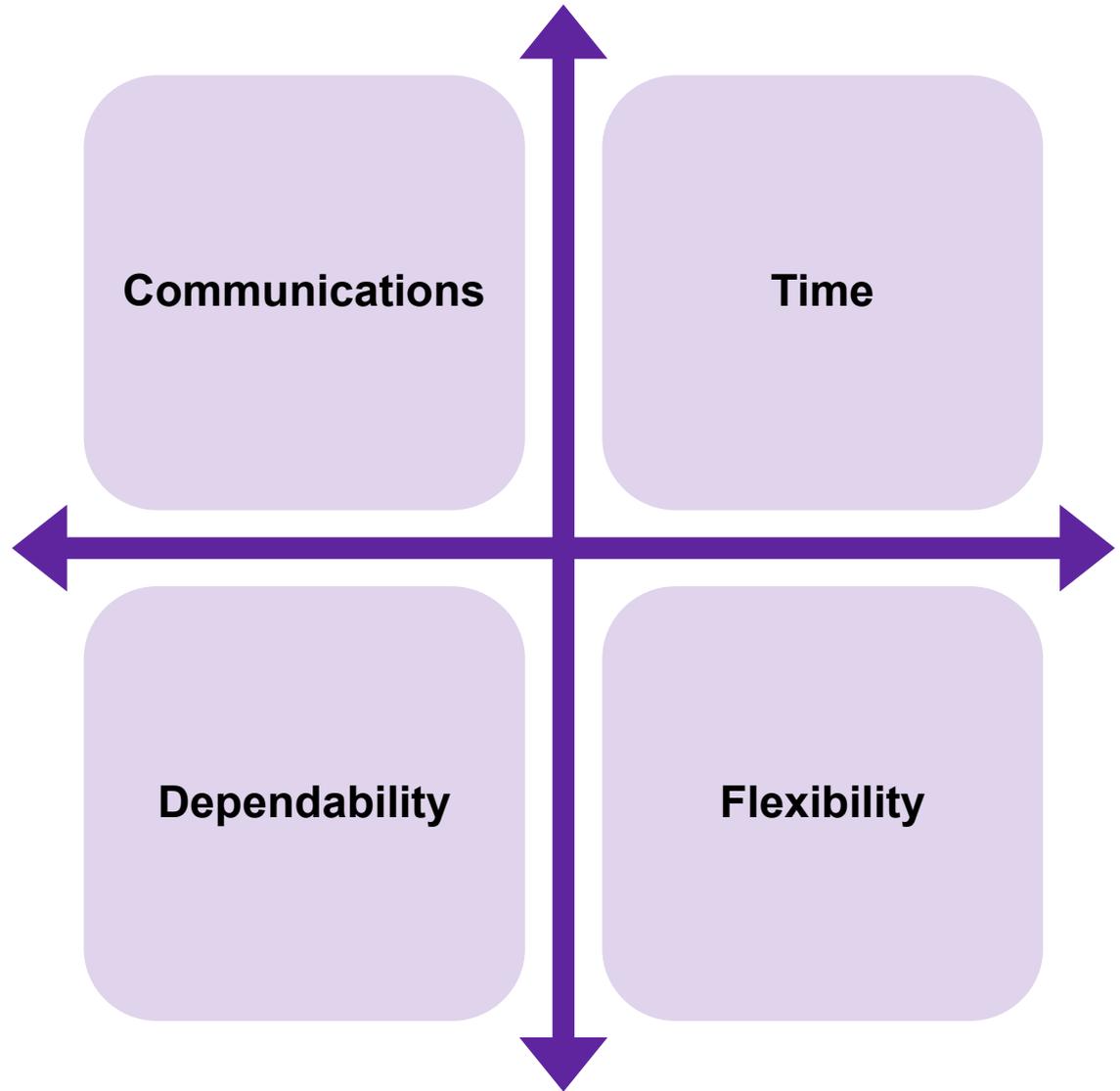
Topic 1: What Is CRM?

Lifetime Customer Value (LCV)

- Metric for defining customer profitability
- Prediction of net present value of future profits
- Focus on long-term health
- Rate and cost of customer acquisition
- Customer marginal profit increases
- Customer retention

Topic 1: What Is CRM?

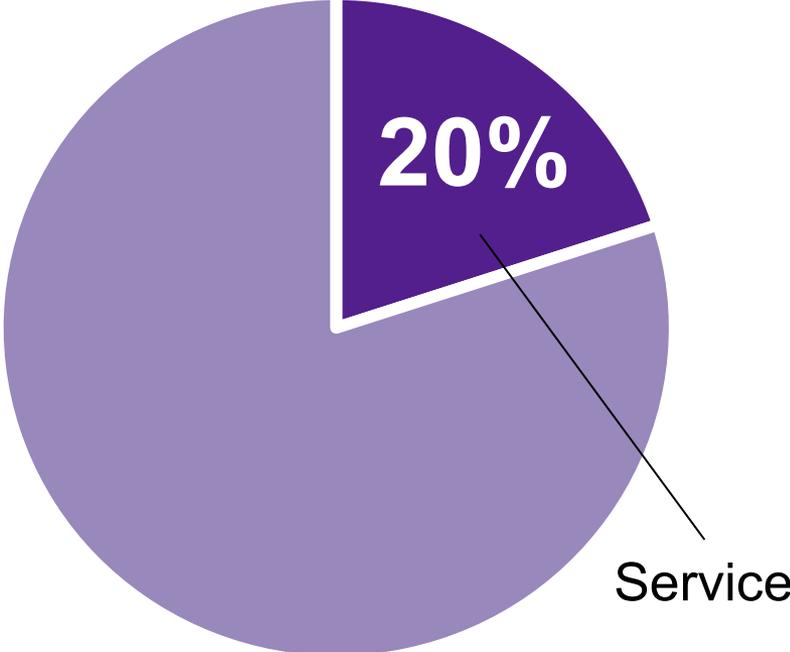
Customer
Expectations of
Buying Experience



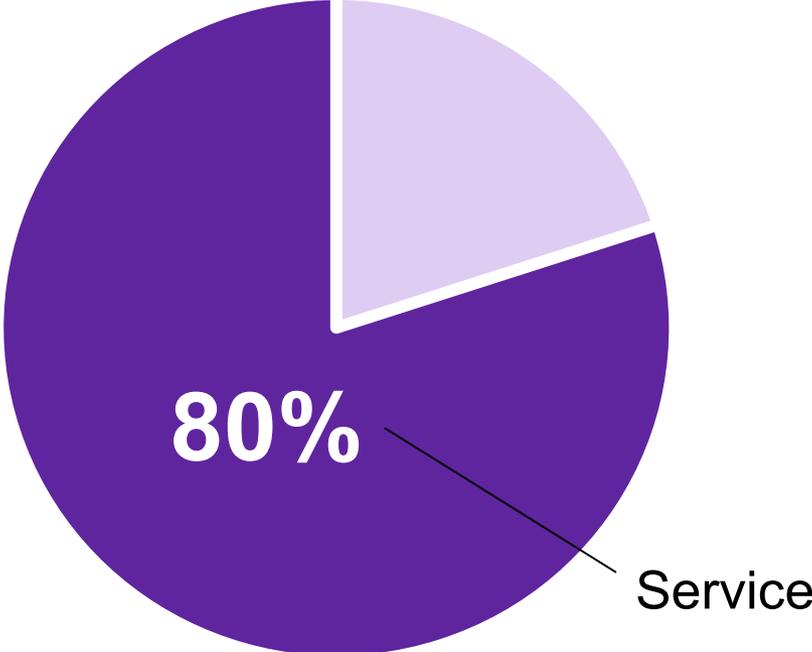
Topic 2: Implementing the CRM Process

Value of Service

Total Costs

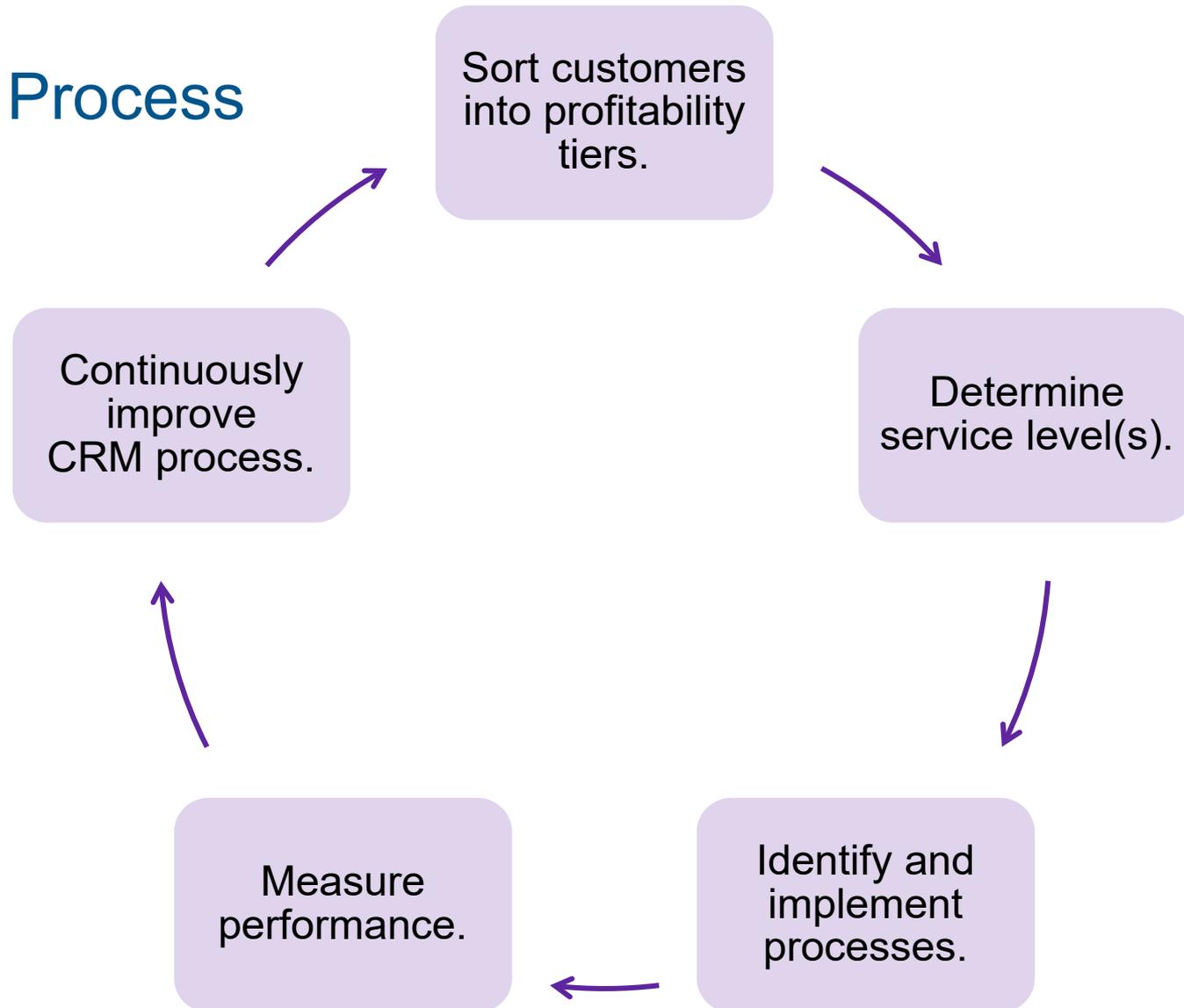


Customer Satisfaction



Topic 2: Implementing the CRM Process

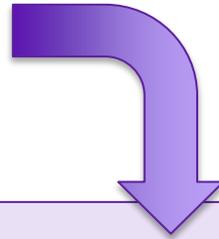
CRM Process



Topic 2: Implementing the CRM Process

Methods for Determining Customer Profitability

- Single allocation criteria
- Activity-based costing
- Cost-to-serve



$$\text{Operating Profit Contribution} = \text{Gross Profit} - (\text{Invoices} \times \text{Average Cost/Invoice})$$

Use results to rank from high to low and group into tiers by profitability.

Topic 2: Implementing the CRM Process

Service Levels

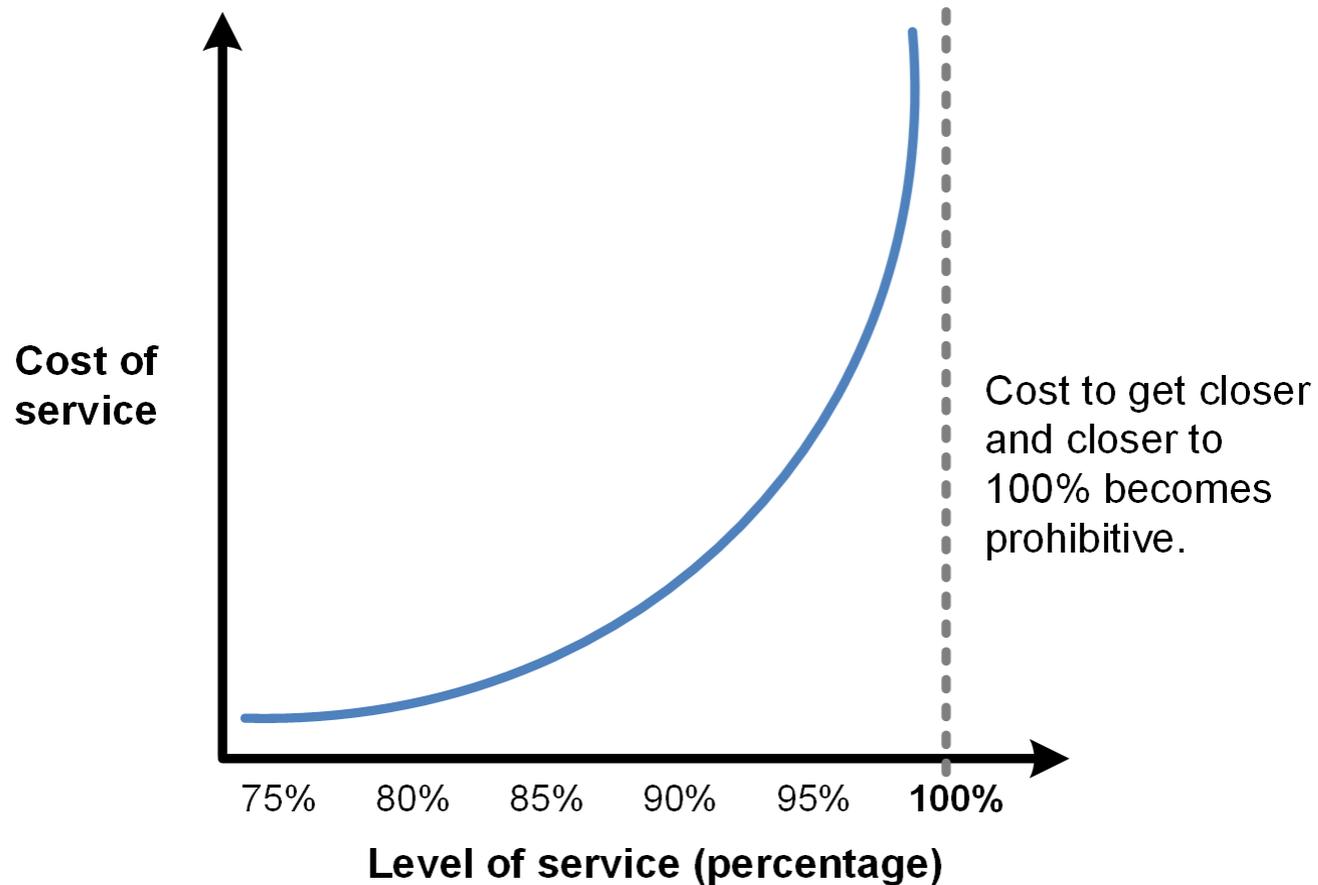
To determine customer service levels:

- ✓ Identify what each customer segment values.
- ✓ Categorize service components.
- ✓ Prioritize by segment or customer tier.
- ✓ Benchmark vs. competitors.
- ✓ Do a gap analysis.
- ✓ Design product/service to exceed minimum requirements.
- ✓ Establish metrics, targets, monitoring, and controlling.
- ✓ Evaluate results against plan.



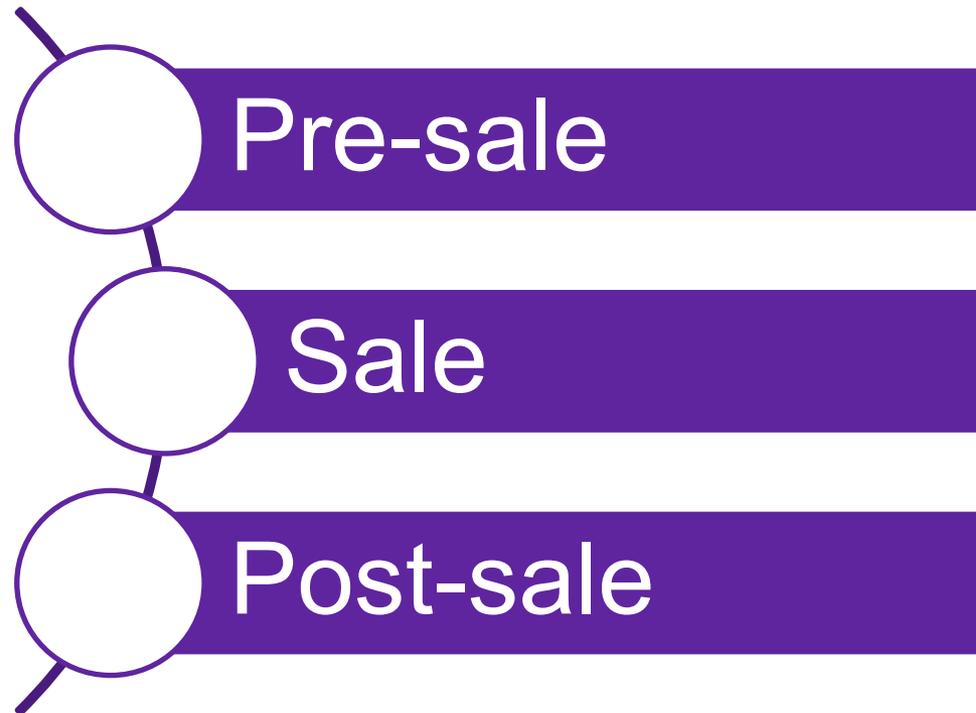
Topic 2: Implementing the CRM Process

Economic Constraints on Level of Service Offered



Topic 2: Implementing the CRM Process

Service Level Metrics



Topic 3: Customer Segmentation and Management

Customer Segmentation

- Groups relevant to marketing
- Demographics and attributes
- Segmentation for logistics
 - Customer requirements
 - Customer behavior
- Logistics service level

Ways to segment intermediate customers:

- Market
- Value
- Physical characteristics
- Geography
- Sales/demand
- Mode
- Network

Topic 3: Customer Segmentation and Management

Customer Management Elements

- Reputable
- Accessible
- Informed
- Informative
- Responsive
- Confidential
- Capable
- Honest
- Consistent
- Dependable

Measure over time against goals and benchmark competitors.

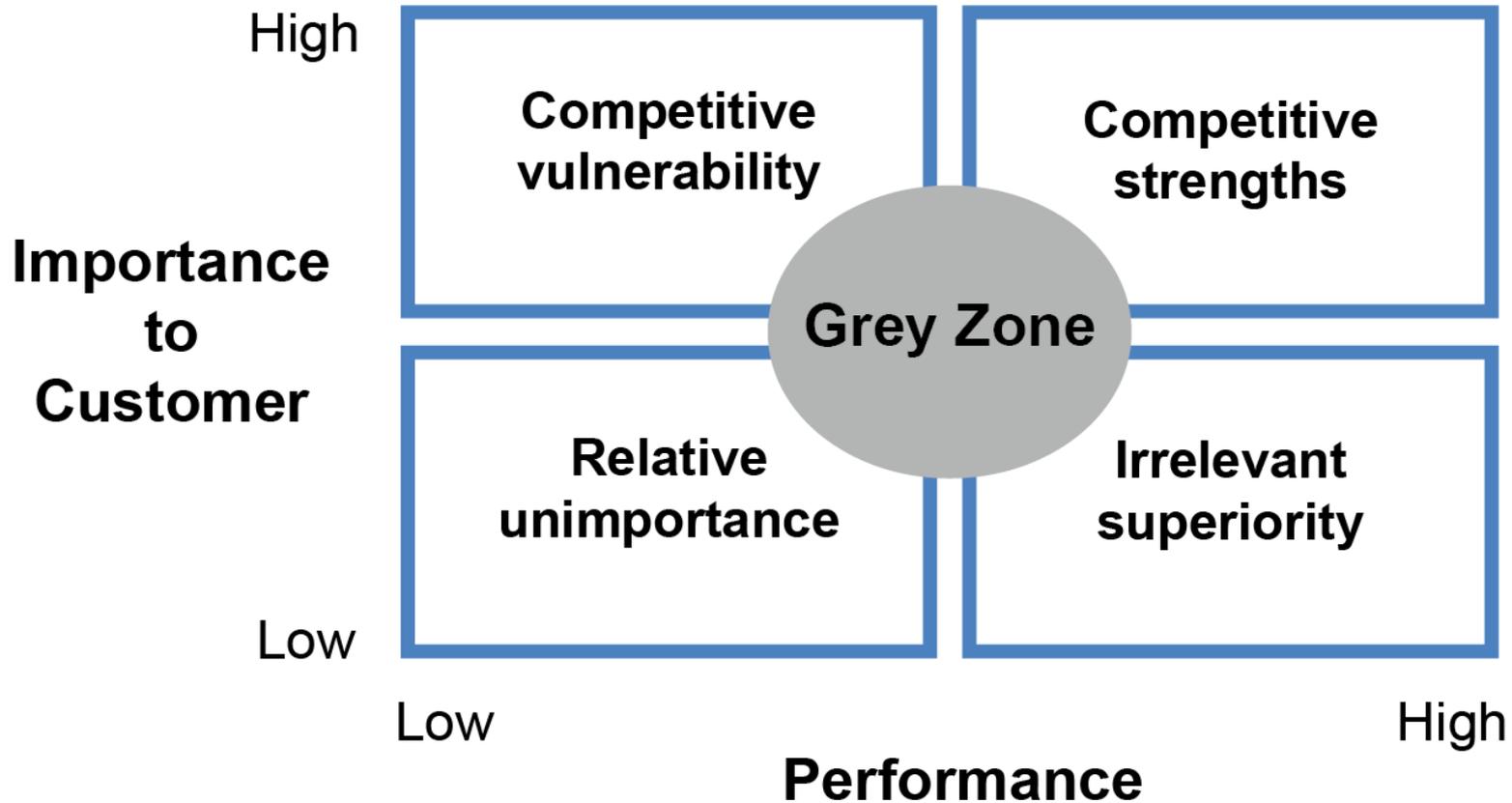
Topic 3: Customer Segmentation and Management

Customer Management Strategy Development

1. Analyze current relationships.
2. Research expectations and preferences.
3. Benchmark other organizations.
4. Identify strengths/weaknesses per service element.
5. Calculate benefit-cost ratio.
6. Select tools.
7. Implement strategy.
8. Measure performance and identify areas for improvement.

Topic 3: Customer Segmentation and Management

Service Element Analysis



Adapted from source: David F. Ross, *Distribution Planning and Control—Managing in the Era of Supply Chain Management*, third edition. Used with permission.

Topic 3: Customer Segmentation and Management

Implement Strategy

Customers

- Value-added services
- Better communication

Supply channel participants

- Competitive pricing
- Benefits: Incentive to keep customer as priority

Employees

- Streamline workflows
- Encourage continuous improvement

Shareholders

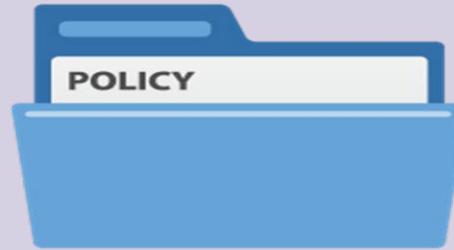
- Return on investment
- Earn customers' loyalty

Topic 3: Customer Segmentation and Management

Sales and Marketing Support



Customer
contact
team



Customer
service
policies



Trouble-
shooting

Topic 3: Customer Segmentation and Management

Technical Support Staff Contributions

- Product recalls
- Replacement parts
- Claims and returns
- Repairs, installation, and warranties

Topic 3: Customer Segmentation and Management

Customer Service Ratio

A measure of delivery performance of finished goods

Percentage of product delivered compared to the amount ordered by the customer

Variations in fill rate include:

Monetary
value

Unit
(SKU,
eaches)

Line item

Order

Topic 3: Customer Segmentation and Management

Stockout Frequency

Evaluates supplier's management of stockouts:

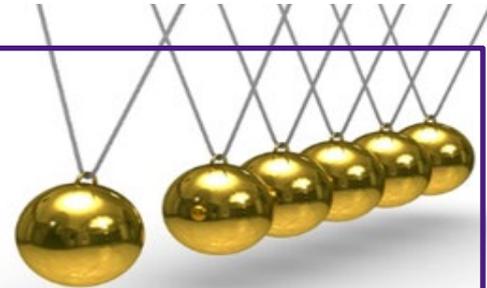
- ✓ Monetary value of items ordered that are in stockout
- ✓ Percentage of items that are in stockout
- ✓ Average age of stockouts
- ✓ Average time to recover items from stockout

Topic 3: Customer Segmentation and Management

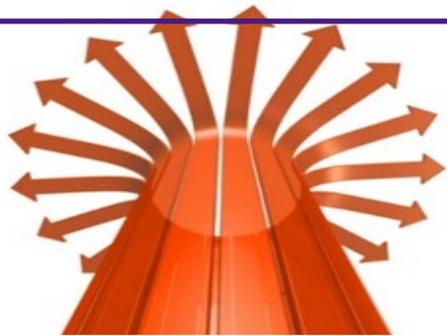
Lead Time Monitoring



Speed of performance



Flexibility



Consistency



Malfunction recovery

Topic 3: Customer Segmentation and Management

Speed of Performance

Common metrics for measurement

- Order delivery cycle time
- Time to process a customer-requested change
- Time to respond to a customer query
- Average wait time to connect on 800 number or chat
- Percentage of calls that encounter a busy signal
- Percentage of abandoned calls to customer service

Topic 3: Customer Segmentation and Management

Customer Management Measurements

Process



- Total order cycle time
- Profit margins
- Billing adjustments
- Customer complaint statistics
- Response to emergency
- Damaged goods
- Inventory distance to customer
- On-time delivery

Product



- Design and attractiveness
- Fitness for use, ease of use
- Packaging convenience (protection, information, quantities, storage)
- Service frequency
- Failure rate

Satisfaction



- Customer access to inventory and order status
- Response to customer complaints and issues
- Customer complaint analysis
- Customer comment cards
- Focus group feedback
- Customer social media comments

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CERTIFIED IN LOGISTICS,
TRANSPORTATION AND DISTRIBUTION

MODULE 5, SECTION B: ORDER MANAGEMENT PROCESS



Topic 1: Inbound Order Management and Intracompany Orders

Procurement

Planning

Purchasing

Inventory
control

Traffic

Receiving

Incoming
inspection

Salvage
operations

Supplier Relationship Management (SRM)

Product flow	Service flow	Financial flow	Information flow
Speed physical movement from supplier to customer.	Improve productivity, reduce costs, provide additional revenue.	Supply chain finance options, electronic transfers, checks and balances.	Decrease redundant transmission of information up and down channel

Key benefits:

- Uninterrupted flows of materials and services
- Competitively priced raw materials and components
- Ability to prescreen suppliers

Vendor-Managed Inventory (VMI)

- Vendors and customers collaborate on inventory planning.
- Vendor manages restocking.
 - Gets demand information directly: shorter lead time.

Retail Order Management

- Inbound from many sources
- Prevent inventory accumulation
- Perishability
- Seasonality
- Inventory management system to keep balance
- Planograms



Lead Time

- Ordering early in process to shorten lead times
- Time components:
 - Order preparation
 - Queue
 - Processing
 - Move/transportation
 - Receiving
 - Inspection



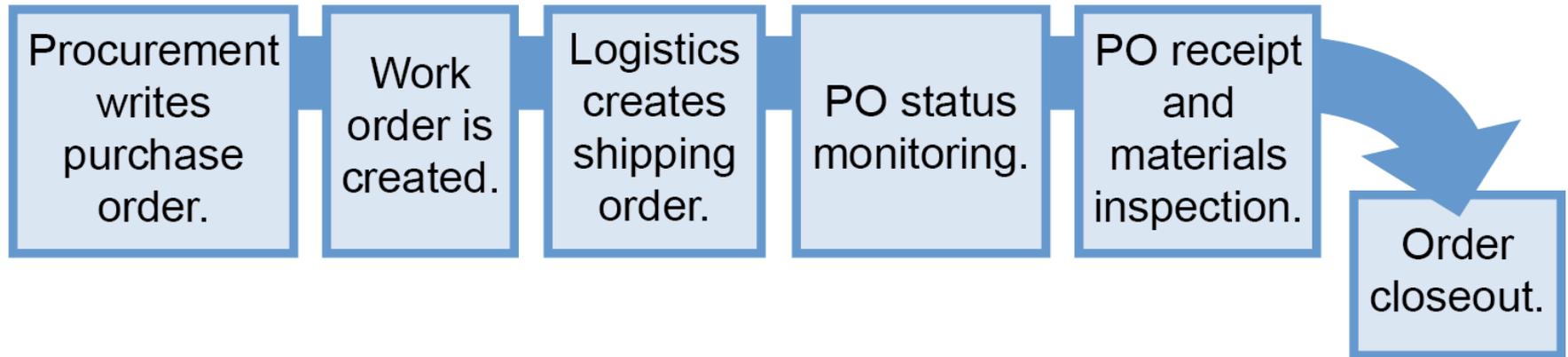
Routing Guide

Shipping tool that manages logistics activities for shipments between two points

- Mode and carrier selection
- Ranked lists of preferred carriers
- Freight rates
- Software requirements
- Service requirements (carriers, delivery, boxes, pallets)
- Supplier packaging constraints



Inbound Logistics Process



Work Orders and Shipping Orders

- PO generates work order.
- Authorization to start work.
- Helps determine logistics details.
- Logistics generates shipping order.



Transportation Plan

- Optimum carrier/vehicle
 - Freight consolidation opportunities
 - Delivery data
- TMS
- Factory gate pricing
- Freight forwarders

Advance Ship Notices (ASNs)

- Provide buyer with time to plan shipment arrival
- Allow buyer time to arrange delivery appointments
- Enable buyer to redeploy shipment contents
- Reduce uncertainty in order replenishment

Ensuring Timely Arrival

Order tracking (mainly B2C)

Ability to determine physical location and status of customer order in supply chain.

Order visibility (mainly B2B)

Ability to locate and view status of customer order in real time in system, application, or platform.

Effective Receiving Practices



- ✓ Coordinate delivery schedule with carriers.
- ✓ Compare PO and freight bill against receipt date.
- ✓ Combine products into groupings.
- ✓ Prepare receiving report.
- ✓ Transport materials to requestor and ensure sign-off by recipient.

Tracking and Measuring Supplier Performance

Common metrics:

Delivery
reliability

Quality

Price index

Delivery date

Responsiveness

Promised
quantity

Key Performance Indicators (KPIs) for Carriers

Service quality

Perfect order

Freight safety
and protection

Billing
accuracy

Transit time

Service efficiency

Value added

Aggregate
efficiency
measure

Equipment
efficiency

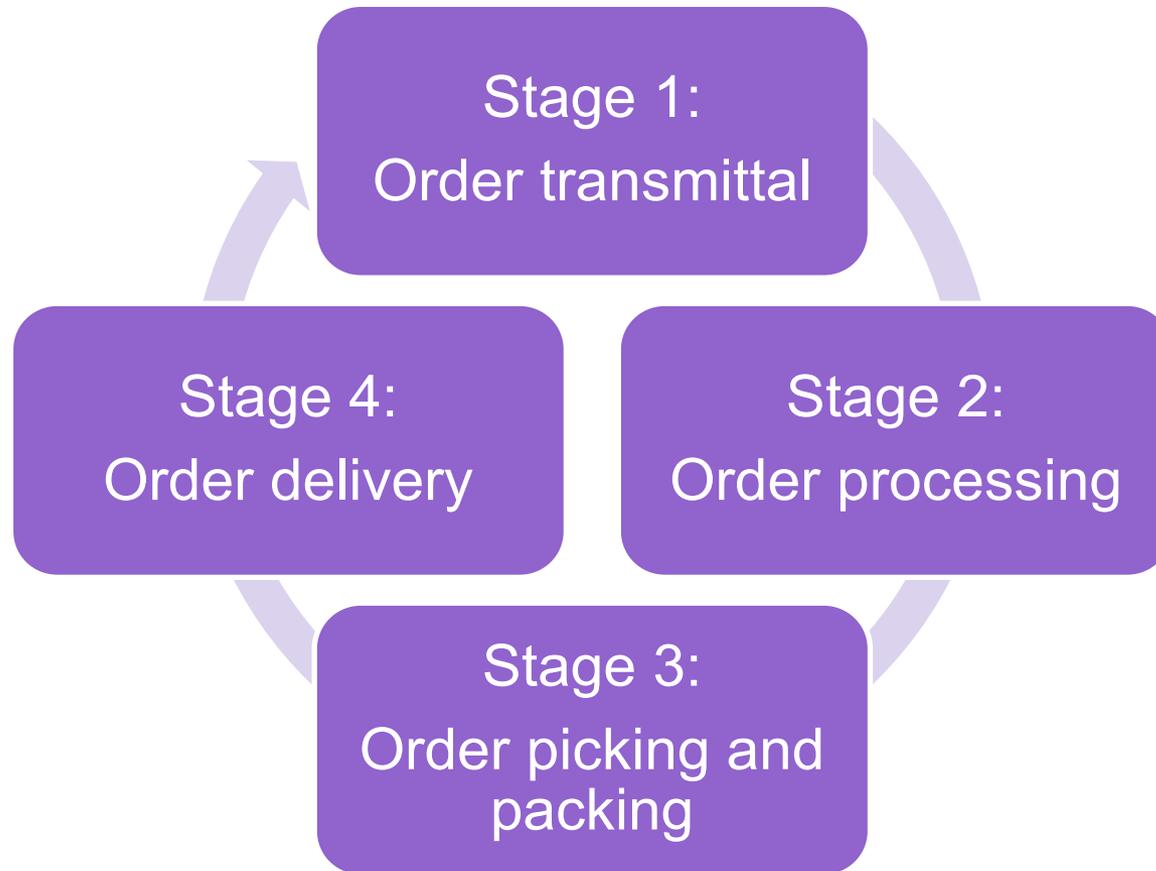
Organizational
efficiency

Intracompany Orders and Transfer Orders

	Intracompany Orders (Within)	Transfer Orders (Between)
Sales/transfer	Same legal entity	Different legal entity
Legal restrictions?	No	Yes
Tax implications?	No	Yes
Transfer pricing?	No	If international

Topic 2: Outbound Order Management

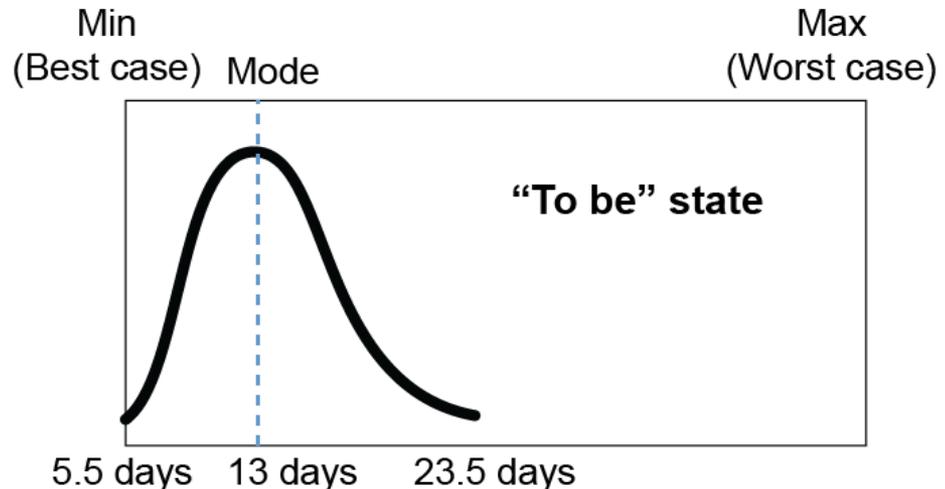
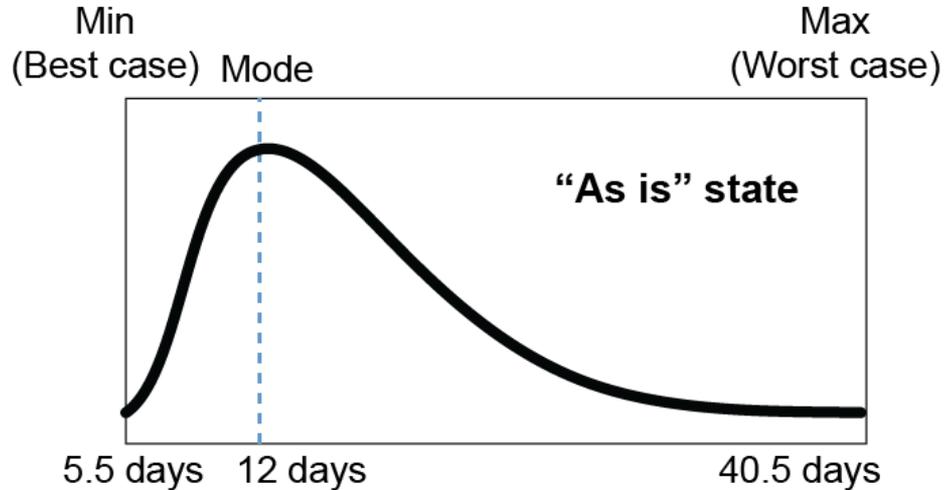
Order Cycle Stages



Topic 2: Outbound Order Management

Order Cycle Time

- To-be plan is to reduce variance.
- Tradeoff: Slightly longer mode.



Topic 2: Outbound Order Management

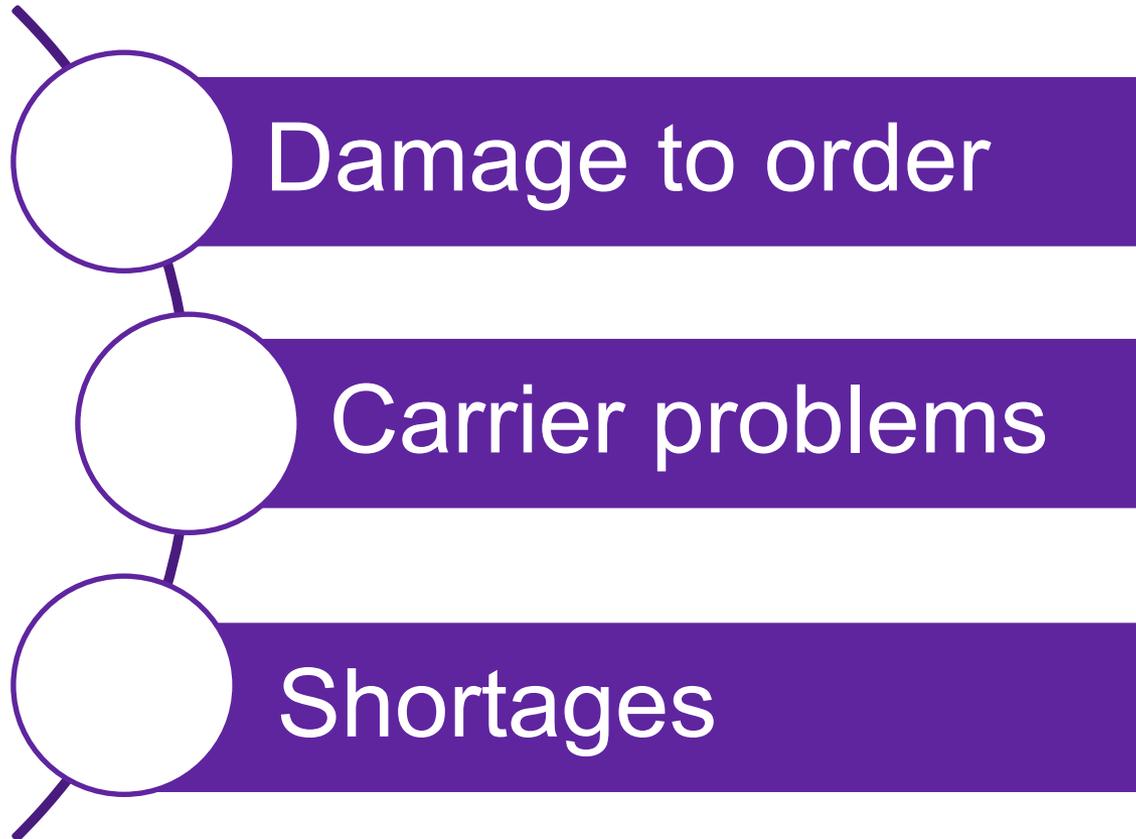
Order-to-Cash (OTC) Cycle

- Factors in time for receipt of payment for order.
- Performance used as metric for customer service:
 - Longer order cycles require buyers to have more inventory.
 - High variability in order cycle requires more safety stock.
 - Longer and more variable cycles require investing more cash.



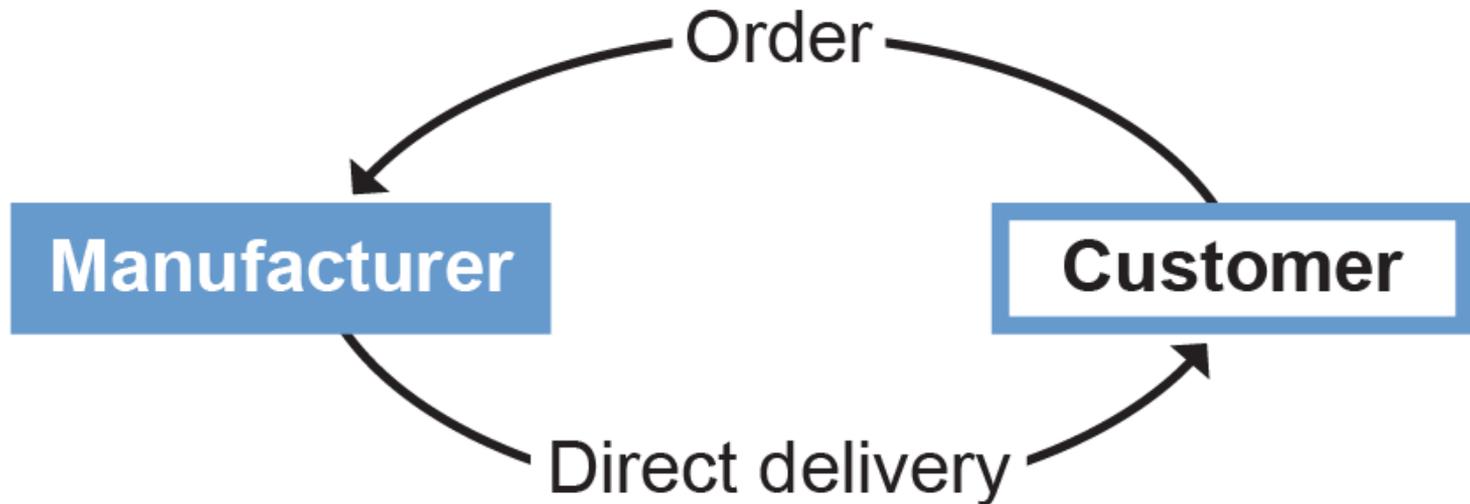
Topic 2: Outbound Order Management

Exceptions and Change Management



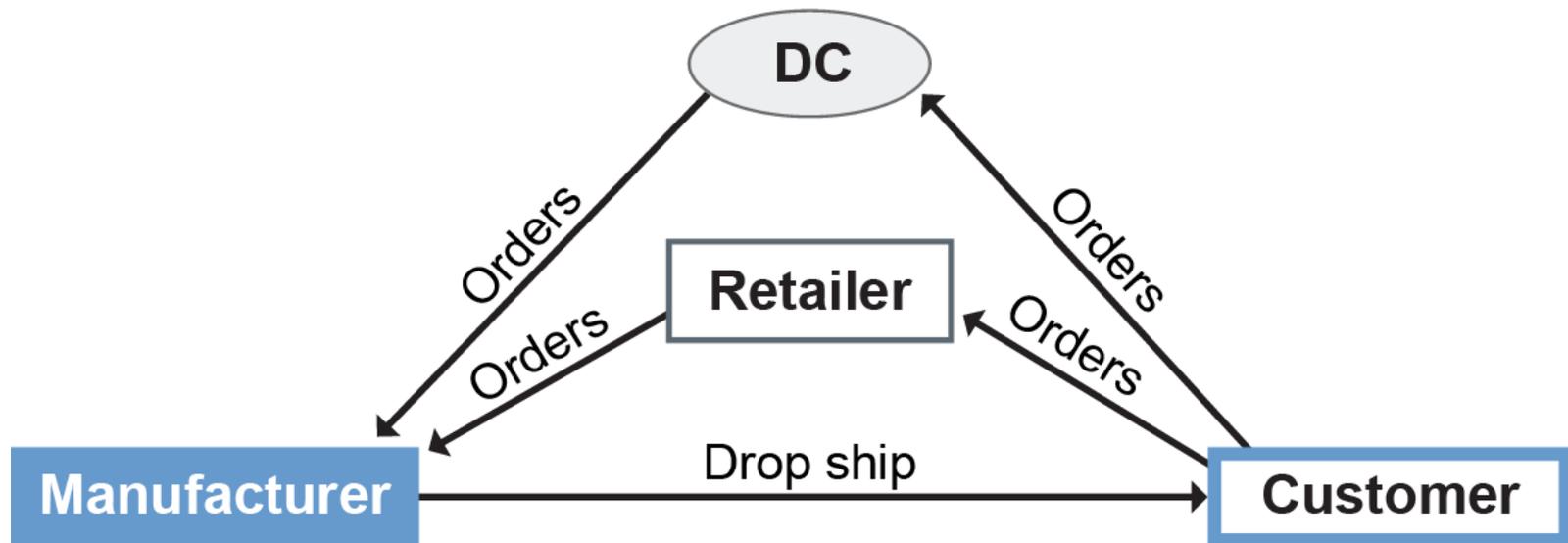
Topic 3: Order Channels and Order Fulfillment Channels

Manufacturer Storage with Direct Delivery



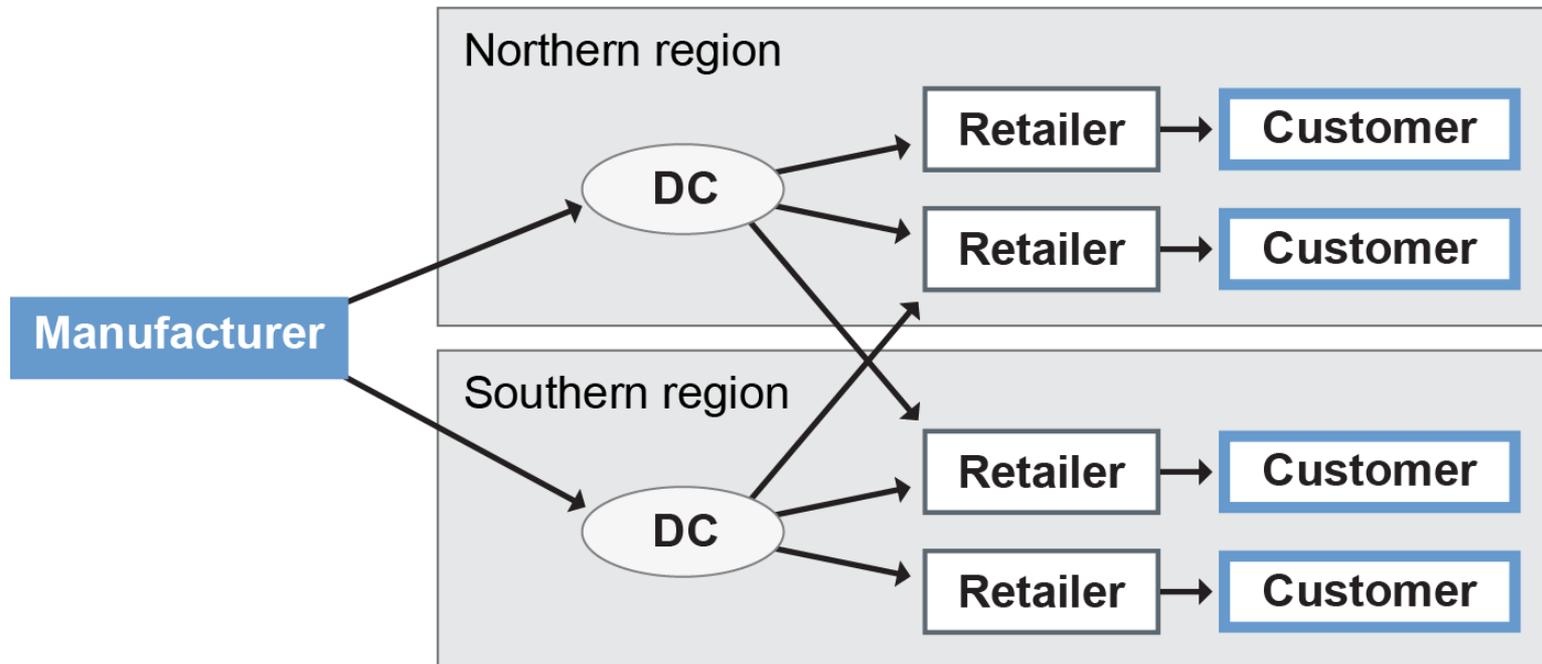
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Manufacturer Storage with Drop Ship



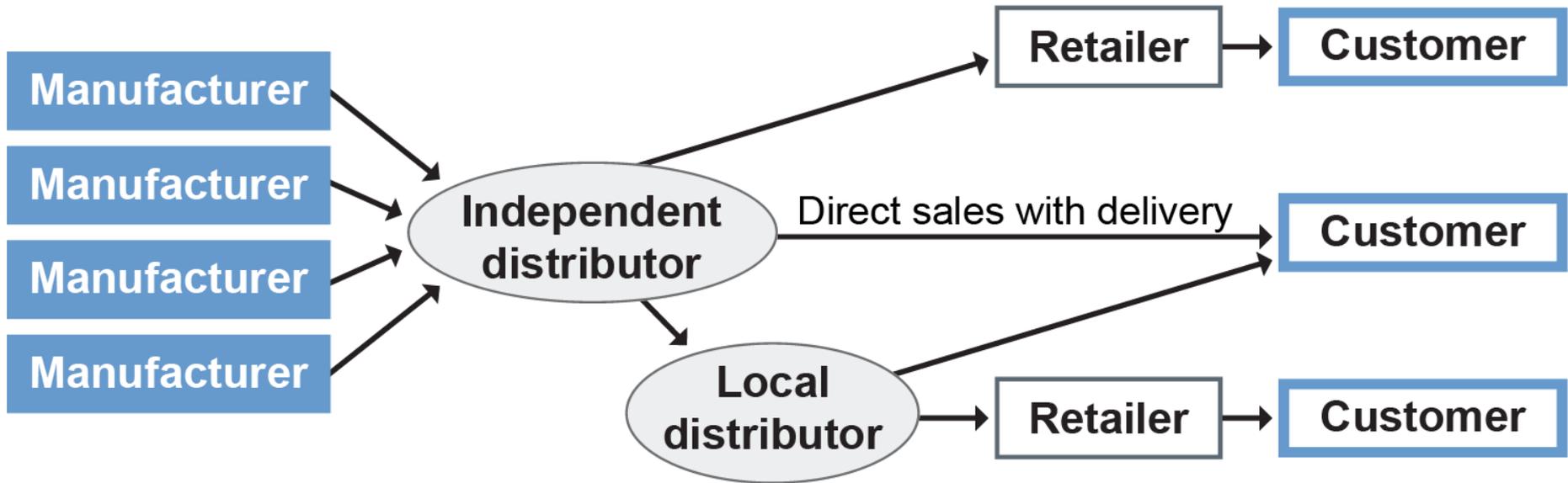
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Manufacturer to DC to Retailer



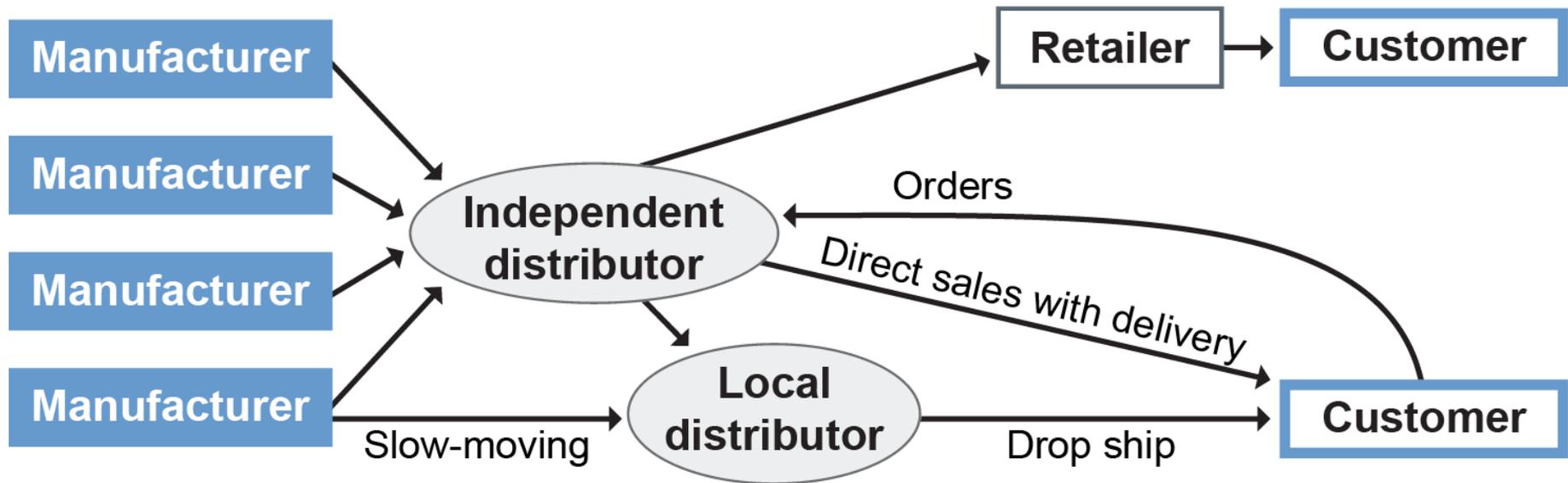
Topic 3: Order Channels and Order Fulfillment Channels

Independent Distributor with Omni-Channel Network



Topic 3: Order Channels and Order Fulfillment Channels

Independent Aggregator with e-Business Network



Topic 3: Order Channels and Order Fulfillment Channels

Aligning Order Channels and Order Fulfillment Channels

- E-commerce plus faster order cycle and cash flow velocity
 - Shorter order delivery lead times
 - Same-day delivery
 - Collect customer information
 - Sell-buy-make model
- Promoting e-commerce:
- Order visibility
 - Cost-effective shipping methods
 - Non-penalizing customer return policy
 - Optional sites for in-person pickup, dropoff of returns

Topic 3: Order Channels and Order Fulfillment Channels

Global Flow of Outbound Goods

