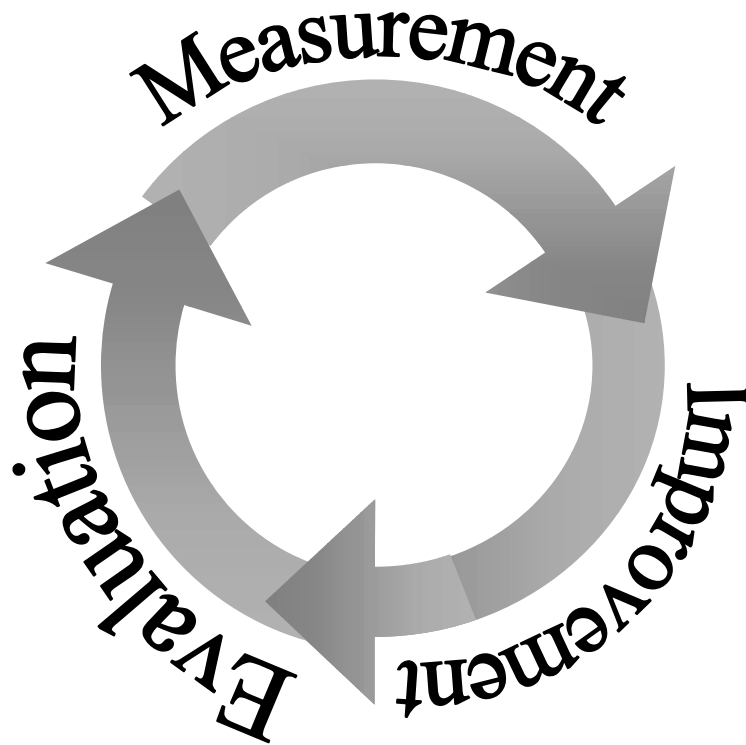


Customer Service Measurement and Benchmarking

Standards for Excellence

June 1999



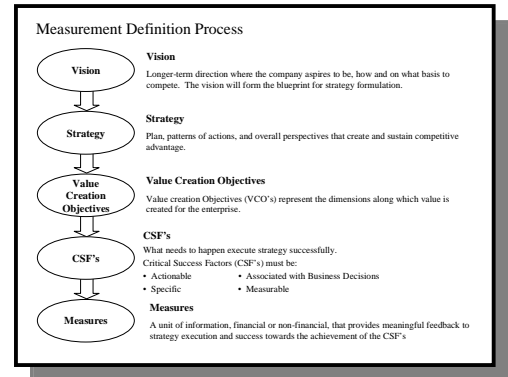
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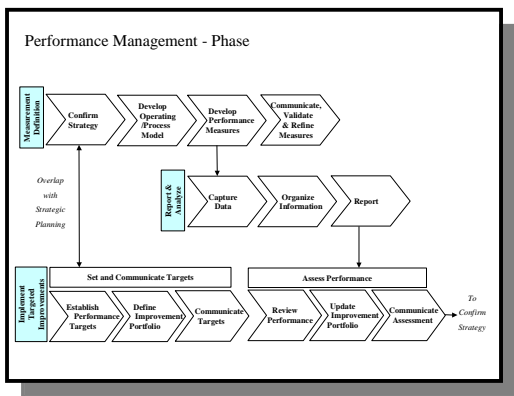
This document has been prepared to provide management with the basic guidelines for measurement and benchmarking of Customer Service activities within the business. It represents a compilation of materials from key resources published on this subject.

Customer Service Measures:

The objective of customer service is to deliver a complete order, on time, without errors, and free of damage. There are several different metrics that companies can use to measure the overall performance as it applies to customer service. They include:



- ◆ **Customer Order Cycle-Time:** The amount of time that a company needs to process and deliver an order.
- ◆ **Order Processing Time:** The amount of time taken to receive and enter an order into the system.
- ◆ **Shipment Processing Time:** The amount of time taken to assign, fill, and ship the order.
- ◆ **Delivery/Transit Time:** The amount of time it takes from shipment to customer receipt.
- ◆ **Shipments per Order:** The number of shipments it takes to complete an order.
- ◆ **On-Time Delivery:** Measurement of the amount of shipments that are delivered by the original specified due date.

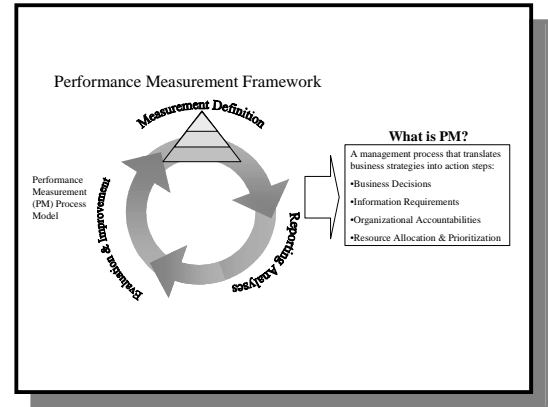


- ◆ **Shipped on Time:** The percentage of orders that are shipped to the customer within the stated cycle time.
- ◆ **Error Rates:** The number of errors on an order per a specified number of orders.
- ◆ **Product Damage:** Product damaged relative to total product shipped.
- ◆ **Freight claims:** The number of claims measured against total number of orders.

- ◆ **Complaints Handled:** The number of complaints measured against the total number of orders.
- ◆ **Inquiry Responsiveness:** A measure of how timely companies respond to customer inquiries.
- ◆ **Product Availability:** A percentage measure of products shipped vs. products ordered by cases, lines, and total.
- ◆ **Logistics Cost:** Total cost of all operations from customer order to delivery of products.
- ◆ **Customer Service Cost:** The costs to receive and process customer orders relative to total sales.

- ◆ **Order Shipment Cost:** Total cost to process and ship orders relative to total sales.
- ◆ **Order Delivery Cost:** Percentage of costs to deliver product relative to revenue from sales.
- ◆ **Inventory Turnover Rate:** A measurement of inventory relative to sales either in dollars, cases, or CWT.

The following chart, taken from the Council of Logistics Management Annual Conference Proceedings, is an annual survey on logistics costs and customer service levels. The Percent Using Standard column represents the number of responding companies that use the standards listed above. The Standard column is the standard for each benchmark. The Performance column is the performance level of the companies surveyed.



Universal and Standard Measures Of Customer Service

A Sampling of Customer Service Benchmarks Based on 1997 Data

	% Using Standard	Standard	Performance
Universal Measures			
Inquiry Response - Phone (% Answered)	18.0%	88.7%	85.4%
Complaints Handles (per 100)	20.0%	1.5	3.2
Error Rates (per 100)	23.0%	1	2.4
Freight Claims (per 100)	15.0%	0.9	1
Standard Product Measures			
Total Cycle Time (days)	48.0%	6.3	8.4
Internal Cycle Time (days)	28.0%	3	4
Transit Time (days)	24.0%	2.6	3.9
Product Availability (% orders)	29.0%	92.9%	87.0%
Product Availability (% lines)	18.2%	97.2%	94.3%
Product Availability (% cases)	24.0%	97.8%	94.8%

Logistics Cost and Service survey

The following customer service performance data was assembled based on actual industry statistics and presented to the Council of Logistics Management for improving quality and performance in the logistics process.

***Achieving customer satisfaction breakthroughs
Council of Logistics Management - 1991***

Key Performance Dimensions:

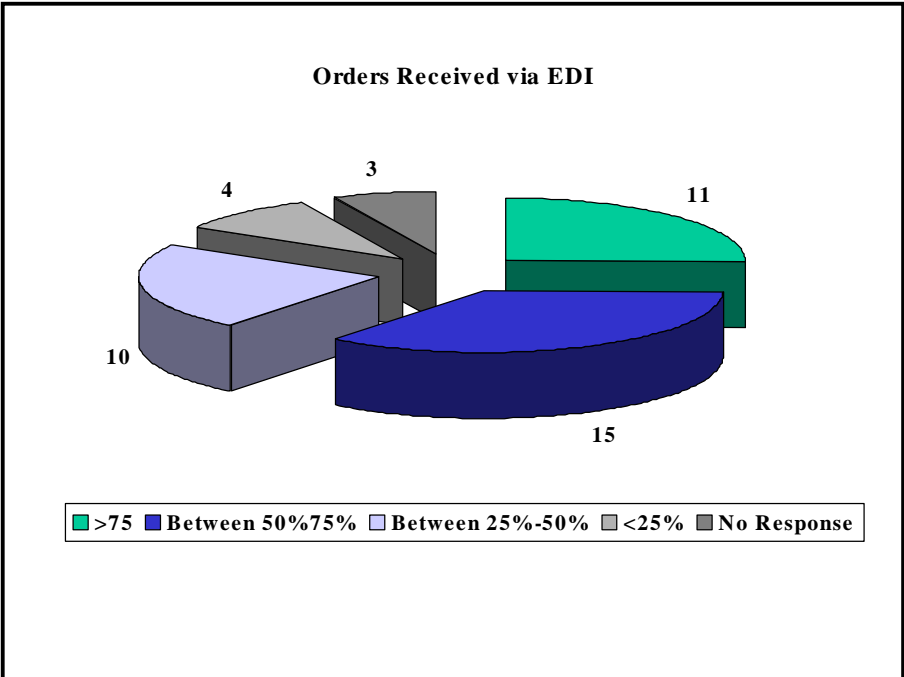
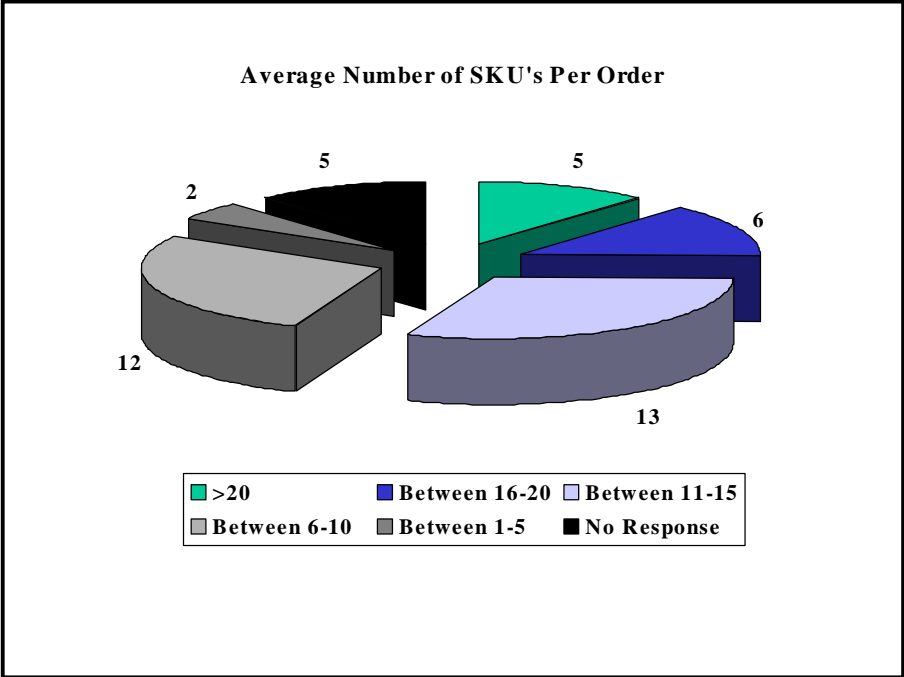
<i>Service Area</i>	<u>All Industries</u>		
	1985 Actual	1990 Actual	1995 Expected
On-Time Performance	81.4%	91.6%	97.0%
Order Completeness	83.1	89.6	95.0
Line-Item Fill Rate	87.0	92.8	96.4
Invoice Accuracy Rate	90.3	94.3	97.9
Damage-Free Receipt	92.2	95.1	97.2
<u>Food & Beverage Industry Group</u>			
<i>Service Area</i>	1985 Actual	1990 Actual	1995 Expected
On-Time Performance	84.7%	91.0%	96.5%
Order Completeness	89.0	92.1	96.6
Line-Item Fill Rate	94.3	96.4	98.4
Invoice Accuracy Rate	90.0	93.7	98.0
Damage-Free Receipt	91.9	95.7	98.2
Order Cycle Time (Days)	7.1	6.2	4.9
Inventory Replenishment Cycle Time (Days)	16.2	12.0	8.9

The attached table presents a composite of metrics on customer service measurements and benchmarking of world class competitors.

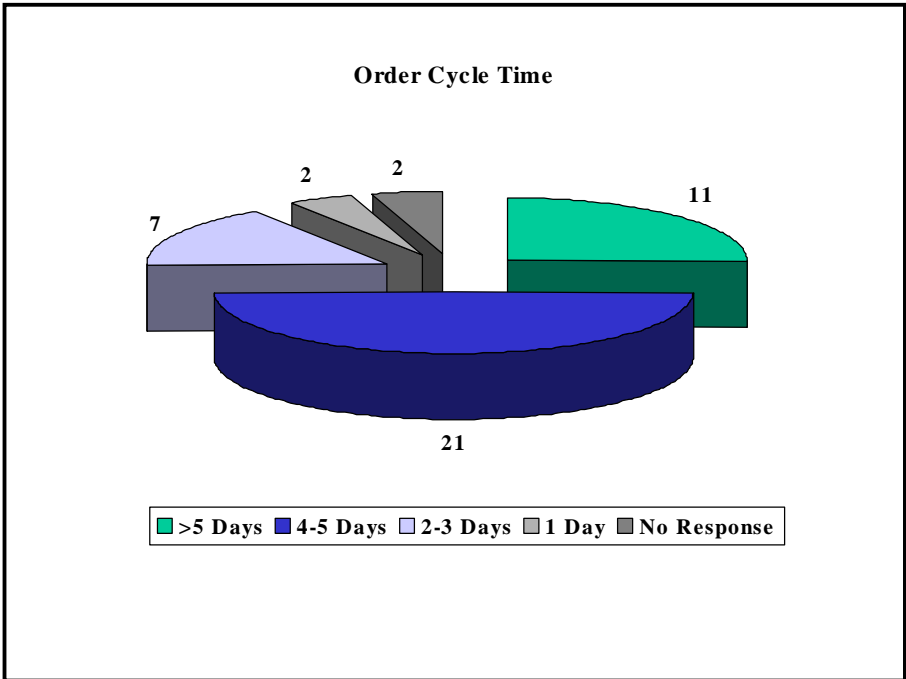
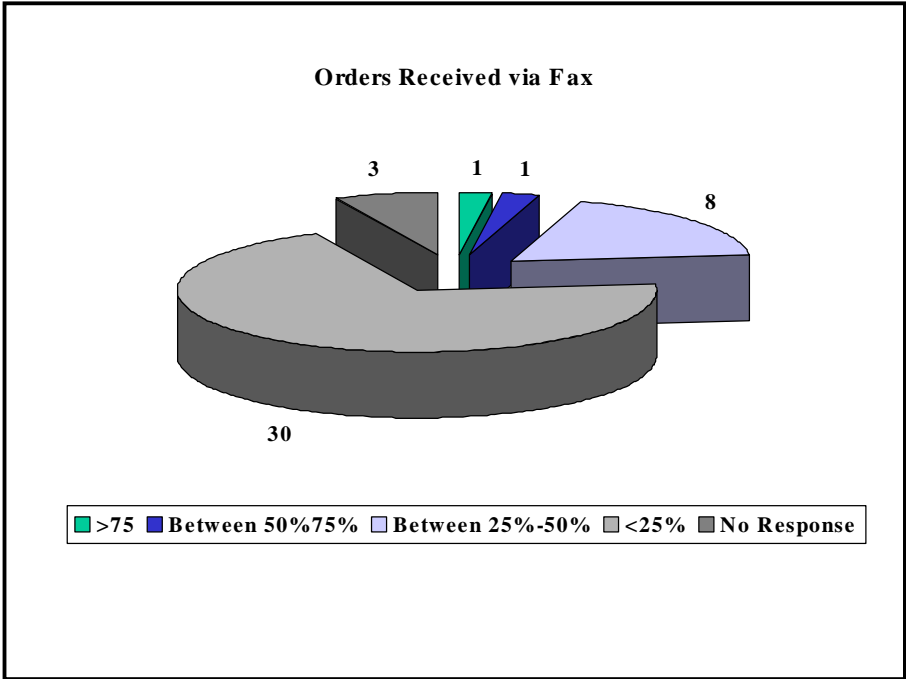
Metrics for Customer Service Benchmarking

Ways to measure customer service:	World Class Competitors Benchmarks:
Customer Order Cycle-Time:	4.5 Days or less
Order Processing Time	0.5 Days
Shipment Processing Time	2.0 Days
Delivery Transit Time	2.0 Days
Shipments per Order	1.0 Shipments
Shipped on Time	97%
Error Rates	1.7 per 100
Product Damage	2.8%
Freight Claims	1.1 per 100
Complaints Handled	2.8 per 100
Inquiry Responsiveness:	94%
Phone	96%
Letter	92%
Product Availability	92% - 99%
Percent of orders filled complete	92% - 95%
Percent of lines filled per order	97% - 99%
Percent of cases filled per order	97% - 99%
Logistics Cost	Less than 5.0% of sales
Customer Service Cost	Less than 3.5% of sales
Process Order Cost	Less than 0.5% of sales
Transportation Cost	1% of sales revenue
Inventory Turnover Rate	Finished Goods over 20 times per year

A recent survey of food and consumer packaged goods companies contributed the following data:



A recent survey of food and consumer packaged goods companies contributed the following data (continued):





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