



PARTNER WITH MARKETING TO ACHIEVE YOUR LOGISTICS GOALS

The goal of every business—and every logistics professional—should be to sustain profitable growth. The key to attaining this goal is to attract and retain customers. However, this is a difficult task due to such external factors as increased competition from world-class firms, investors requiring higher returns and more demanding customers. And, added to this list are increasing internal pressures to lower costs and improve service.

Simply performing logistics services well will not create an advantage for your company. At best it only allows you to keep your customers. And, poor performance will drive your customers away and cost your company money. Today, many companies lose as many as 20% of their customers each year. This was documented in detail in a recent study by W. Earl Sasser Jr. and Thomas O. Jones, who discovered this startling fact: *a satisfied customer is six times more likely to defect than a very satisfied customer.*

UPHILL BATTLES

Facing such pressures, many logistics professionals consistently fail to achieve success, which leaves them as frustrated as poor old Sisyphus the Greek mythological king of Corinth. Sentenced by Zeus for all eternity to roll a boulder to the top of a steep hill, Sisyphus continually lost control of this grueling task just before the peak, where the massive stone would ultimately roll back down again. Can you relate? What *seemingly* uncontrollable logistics boulders are you rolling uphill? High error rates? Low order fill rates? What's the solution?

BY WAYNE M. TERES

LEARN FROM LEADING LOGISTICIANS!

One sure solution is to seize your destiny by taking ownership of customer retention. How? By taking lessons from logistics leaders of world-class companies. These savvy logisticians realize that the majority of customer contacts with a company are through logistics functions and the success of a company is greatly determined by those functions. They understand logistics functions involve more contact with the customer than any other departmental functions, and each contact can result in as much as 50% customer dissatisfaction or customer delight because logistics:

- Fulfills (or not) the promise established by the order
- Communicates directly to the customer
- Is responsible for package arrival
- Is the last interactive contact with the customer
- Handles order problems
- Selects the carrier
- Selects the fulfillment site

To reverse or avoid the 20% customer loss trend, leading logisticians have convinced their companies to treat logistics as a profit center, not a cost center. They, with their companies, are leading a revolution that moves logistics out of the backroom and into the limelight as a strategic competitive weapon. Logistics leaders in these companies have boldly forged partnerships with their marketing groups to achieve the mutual goal of long term sustainable and profitable growth. Take their lead and break the barriers in your company to initiate internal partnerships.

PARTNER WITH MARKETING AND WIN

A close working relationship with your marketing team (both marketing and merchandising), based on good

communication, is essential to your success, just as efficient logistics operations are essential to their success. Why? Because marketing can provide you valuable information concerning sales projections, new products, suppliers and market research—information you need to succeed. With marketing providing you the right information you'll better identify customer requirements and fulfill them. It will allow you to create a logistics function that is easy to do business with, resolving potential logistics problems that can have far reaching effects (loss of customers) before they occur.

How can you improve your partnership with marketing? If a partnership doesn't exist now, begin with communication, education, and information sharing. Consider job sharing of employees. Oftentimes, many good ideas for improvement result from this kind of interaction.

Now let's look at how your logistics operation will benefit through such vital concerns as **communications**, **sales projections**, **new product information**, and **market research**.

COMMUNICATION

Steve Bolger, director of Warehouse Operations at Highsmith, Inc., a supplier of educational and library products, credits his success to the relationship he has with marketing through open communication. "We supply them with our capabilities, they supply us with the information for an SKU we need to make it work," he says. "Information includes: weight, length, width, height, what the product is and how many pieces will be shipped, freight class, and point of origin. This allows us to do the routing." In short, communication makes it possible. The more you know about marketing and your company's core business, the more valuable you will become. The more marketing knows about how your logistics actions affect them and how you can help them meet their goals, the more willing they will be to listen to you. Communication is only the beginning. You'll also need sales projections to be proactive.

SALES PROJECTIONS

Sales projections predict fluctuations in the volume of sales over time. These projections help you, for instance, to adequately hire and train your staff to meet changing customer demands. Show marketing how accurate and timely sales projections will aid you in achieving your goals. In addition to sales projections, you will need detailed product information.

NEW PRODUCT INFORMATION

Lack of new product information can cause you

havoc. Product arriving unexpectedly causes problems in receiving, slotting and even in picking and packing, not to mention potential quality issues. How can you improve this situation?

- Consider stroking marketing's ego by showing excitement and interest in new products. They will respond to this by keeping you in the loop.
- Ask to see the new products before they are offered.
- Ask to see catalog and other marketing copy.
- Educate the marketing group on the product information you need to excel.
- Try not to be negative. When giving feedback, be factual by quantifying estimates.
- Ask these important questions: Who is the supplier? Do we have specifications for the product? What level of quality control can we expect? How will we receive it? How will the customer expect it to be shipped?

Tony Deely, director of distribution for New Pig Corporation, a supplier of industrial cleaning products, contributes much of his success to the flexibility of his company's marketing department. "Working with operations, marketing has been flexible concerning packaging," says Deely. "They have worked with our vendors on packaging and labeling, which has reduced packaging and labeling costs in our warehouse." It is important for you to offer input on the logistical impact of the new product, such as, "it will need to be shipped separately" or "it will need to be repackaged for the customer."

Logistics, acting as the voice of the customer, **must** take ownership for providing acceptable product to ship to the customer, even if marketing says it is OK or it was packaged incorrectly. In some cases, it may be necessary to actually demonstrate product deficiencies to your marketing partners. Consider the example of one logistics executive who determined that a coffee cup's handles



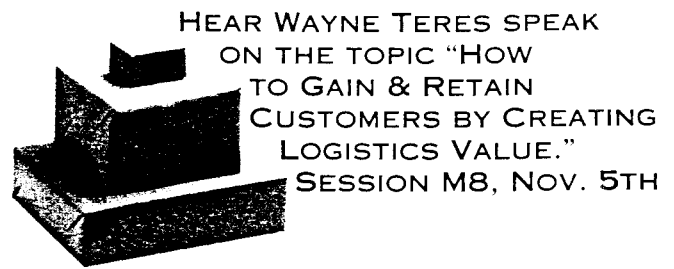
were breaking during shipment due to defects in the product itself. To demonstrate his point, the executive invited his marketing partners to the warehouse where he took a cup in hand and snapped it lightly. As the handle fell off, the marketing people agreed that this customer satisfaction problem was due to defective design and manufacture—not poor packing.

MARKET RESEARCH

Marketing has valuable customer research and data concerning customer expectations and needs and how well your company meets those needs. If marketing is doing research and not asking logistics questions, encourage them to begin. Learn what the customer expects from your logistics services and how well you are meeting those expectations. Deely says "Marketing has allowed us to participate in the design of customer surveys...this has provided valuable customer feedback about our service."

SUPPORT FROM THE TOP ESSENTIAL TO SUCCESS

Ultimately you will need support from the top. Go straight to the executive to whom both logistics and marketing report. Bolger says "Our success is due to the open communication that was created in our company. Each department is accountable to its internal and external customers." Deely concurs. "We implemented teams about 4 years ago," he explains. "The Executive Vice President of Marketing is on the Service and Fulfillment Team...and customer service representatives sit on a marketing team." To gain and maintain high-level support, it will be



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necessary to report your contributions by sharing information with others in the company.

DEVELOP A SCORECARD

To gain and retain this support, you must always educate top executives about the contribution logistics makes to the company's overall performance. This will require learning the new language of logistics performance. Begin learning and speaking this language by monitoring and reporting such key measurements as:

- Sales volumes
- Logistics cost to fulfill orders
- Lost sales dollars
- Order cycle times
- Cost to recover from errors
- Order accuracy
- Inventory accuracy
- Customer defection and retention rates

DO IT RIGHT THE FIRST TIME!

Don Peppers & Martha Rogers, in their book, *The One to One Future, Building Relationships one Customer at a Time*, advise us, "Never forget that every customer is free to withhold his or her patronage at the slightest transgression." With as much as 50% of customer contacts within your logistics realm of responsibility, you cannot add value if you do not "do it right the first time." Doing it right the first time is impossible without highly-effective partnerships with other departments, chief among them—marketing. Thus, if a strong team relationship between logistics and marketing does not exist in your company, take the initiative to establish one. Your success at taking ownership of customer retention and your destiny depends on it!

Wayne M. Teres is founder of Teres Consulting, Inc., a management consulting firm specializing in "appropriate fulfillment solutions" that attract and retain customers and increase sales. Teres is a contributing author to *Parcel Shipping & Distribution* magazine as well as a frequent speaker on the topic of "Fulfillment Excellence." Over the years he has assisted dozens of companies in upgrading their order fulfillment processes.

