CUSTOMER SATISFACTION FROM A SUPPLY CHAIN PERSPECTIVE: AN EVOLUTIONARY PROCESS IN ENHANCING CHANNEL RELATIONSHIPS

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ABSTRACT

Meeting customers' real needs is the key to competitive success. Unfortunately, concepts of customer service and satisfaction are frequently misunderstood and often poorly defined--even at leading companies. The result is that customers continue to complain about the poor service that they receive. In fact, articles in the business press indicate that despite extensive efforts to provide ever higher levels of service, customers remain dissatisfied and demonstrate little. Creating true customer satisfaction and achieving sustained loyalty remains a persistent challenge. To better meet this challenge, today's firms need to reconsider their customer fulfillment strategies so that they can keep customers from either defecting to competitors or going out of business. The objective of any new customer-service paradigm must be to clearly define and describe the basic characteristics and likely outcomes of various service activities. As this is done, everyone within an organization comes to better understand exactly what needs to be done to profitably provide customers with a unique and valued set of satisfactions. When everyone within the firm acts on this understanding, the firm is better able to provide truly superior product/service offerings that will help key customers enhance their own competitiveness. This ability to help customers achieve greater competitive success by delivering a value-added capability is the essence of profitable customer takeaway.

INTRODUCTION

Managers at leading firms around the world and across many industries now recognize that the ability to deliver profitable customer takeaway is critical to long-term survival in today's intensely competitive and fast-moving global marketplace. The need to create profitable customer takeaway has been greatly magnified by the fact that channel power has shifted down the supply chain toward the final consumer in recent years (Blackwell 1997). Shifting channel power has created what has been called the "high-service sponge"--customers that use their market leverage to constantly demand higher levels of service. High-service sponges have a seemingly inexhaustible capacity to "soak up" more of their suppliers' resources to fuel their own quest for market dominance. The emergence of these service-hungry customers who possess tremendous channel power places tremendous pressure on firms throughout the supply chain to develop the capabilities needed to deliver real and valued takeaway.

Firms that fail to deliver valued takeaway set themselves up to be role shifted out of the supply chain--replaced by firms that possess greater and more targeted value-added capabilities. By contrast, firms that consistently deliver high levels of takeaway assure themselves of a secure position in tomorrow's highly integrated supply chains. Unfortunately, many managers do not fully understand the basic nature of profitable customer takeaway. The objective of this article is, therefore, to define profitable customer takeaway, highlighting the underlying themes that make the successful implementation of takeaway-driven initiatives possible. To do this, fundamental distinctions between takeaway and traditional notions of customer service and satisfaction are identified and discussed. Indeed, clarifying the issues—such as organization responsibility, inherent resource requirements, limitations, and influence on customer behavior—that differentiate basic customer fulfillment philosophies is a primary goal of this article.

PROFITABLE CUSTOMER TAKEAWAY DEFINED

Managers have long viewed customer satisfaction as the target result of their firms' customer service activities (Anderson, Fornell and Lehmann 1994; Fornell, Johnson and Anderson

1996). Within this traditional orientation, customer satisfaction is determined by the customer's expectations regarding, and experience with, the product/service package delivered by the firm (Oliver 1980; Spreng, Mackenzie and Olshavsky 1996; Yi 1990; Zeithaml, Berry and Parasuraman 1993). When the customer's expectations are met, confirmation and satisfaction result. When expectations are exceeded, customer delight emerges. However, when expectations are not fulfilled, disconfirmation and dissatisfaction result. From this traditional perspective, the key to achieving high levels of satisfaction is to understand customers' needs so that the firm can develop and deliver distinctive products and services to meet those needs (Oliver 1997). When the firm performs well, its customers take a degree of satisfaction away from the relationship. Unfortunately, in today's global marketplace, which is characterized by intense competition and ever rising customer expectations, delivering this level of takeaway--a degree of satisfaction--is no longer adequate to assure long-term competitiveness.

The Capability Dimension

Empirical evidence demonstrates that even highly satisfied customers exhibit little loyalty, defecting to the competition when circumstance and convenience permit (Fierman 1995, Jones and Sasser 1995, Stewart 1995, 1997). Customer takeaway recognizes this reality and the challenge that it presents—today's successful firms must go beyond satisfying customers to actually enhancing customers' competitive performance. That is, customers take away from the relationship an enhanced capability that enables them to achieve greater market success. Whereas customer-satisfaction strategies seek to make the customer "happy," customer-takeaway initiatives strive to help the customer become a better, more capable competitor in its own markets. By literally helping customers succeed, the firm achieves a certain amount of indispensability since it delivers a capability that is inextricably intertwined with the customer's own competitive success.

With its focus on improving the customer's competitiveness, customer takeaway is the next paradigm of customer fulfillment and possesses the following unique characteristics:

- Takeaway is truly knowledge based, requiring an intimate understanding of the overall supply chain's competitive imperatives.

- Takeaway relies on the strength of upstream suppliers while working to enhance the competitiveness of the downstream customers; i.e., takeaway is capability based.

- Takeaway not only enhances the competitiveness of each member of the supply chain but makes the ultimate consumer better off.

- Takeaway focuses on system-wide capabilities that make the overall supply chain more competitive. (In a global market where supply chains compete against supply chains, this benefit of takeaway is a vital motivator.)

The Profitability Dimension

The second aspect of "profitable" customer takeaway that merits pointed attention is the notion of verifiable profit. That is, in their effort to provide exceptional service to key customers and achieve high levels of customer delight, many firms have established policies and practices that result in money losing relationships (Bowersox et al 1995). The fact that key accounts are often unprofitable has only been discovered as more rigorous and accurate costing systems have been implemented. Unfortunately, as many firms have begun to reduce their customer base, they have eliminated smaller accounts that were perceived as less important but that were actually profitable.

Achieving profitable customer takeaway requires not only an understanding of the costs required to sustain the relationship but also operational excellence to minimize the costs associated with delivering the value and capabilities being demanded by high-service sponges (Tyndall and Kamauff 1998). To deliver takeaway profitably, the firm must understand and reduce the total landed cost of its product/service offerings. Making the firm's production and delivery systems efficient enough to guarantee profitability is difficult in almost all industries today and requires that the relevant value-added processes be simplified and made more transparent. Further, because value-added processes span a variety of functional areas within the firm as well as organizational boundaries throughout the supply chain, better information sharing coupled with conscientious efforts to break down the functional and interorganizational barriers are needed to better define appropriate customer takeaway while assuring profitability.

To summarize, profitable customer takeaway is not simply a set of satisfactions. Rather, it is an enhanced competitive capability that leads to long-term market success—for both downstream customers and the entire supply chain. Of course, to be profitable, a high level of operational excellence that is facilitated by other members throughout the supply chain must exist.

MOVING TOWARD PROFITABLE CUSTOMER TAKEAWAY

While meeting customers' real needs has been identified as the key to long-term success (Ohmae 1988), comparatively few companies excel at helping their customers achieve higher levels of competitive performance. Part of this challenge stems from the fact that the related concepts of service, satisfaction, delight, and takeaway continue to be misunderstood (Stock and Lambert 1992). As a result, even leading companies suffer from poorly defined attempts to achieve profitable customer takeaway. This persistent challenge of defining and then achieving profitable customer takeaway suggests the need to revisit the notions of customer service and satisfaction (Bowersox and Closs 1992). Indeed, providing high levels of customer service, especially as service has long been defined and operationalized, is not enough to secure competitive advantage. Customer satisfaction also falls short in a global arena where new products and services are constantly introduced, obsoleting "old" technologies and processes with little or no notice. Even customer delight, the marketer's objective, cannot assure repeat business--much less profitable repeat business--in the current dynamic and intensely competitive environment (Jones and Sasser 1995). Customer success, the ability to improve the customer's competitive advantage by providing real and profitable customer takeaway, appears to be the firm's ultimate objective. The following paragraphs discuss each of these notions as they relate to buyer-supplier relationships within the supply chain.

Customer Service

Customer service initiatives have historically focused on meeting internally defined standards as they relate to what the firm views as important activities or processes (see Table 1). Measures of customer service therefore take the form of percent defective products, percent of jobs finished on time, fill rate from distribution centers etcetera. By performing well in these areas, the firm hopes to serve the customer adequately. Unfortunately, a common feature of these measures is that they are internal to the firm and are measured by an internal auditing system. Further, because firms use a multitude of measures that account for wide-ranging issues related to cost, time, and performance; managers and workers alike often begin to feel that they are achieving high levels of desirable service even when they are not. The inward focus of the definition and the accompanying measures often lead the firm to overlook the imperative of understanding the customer and meeting the customer's real needs. Far too frequently, firms substitute massive efforts and resources for the well-tailored customer service programs required to deliver profitable customer takeaway. Without systematic customer feedback, it is too easy to emphasize the wrong service activities or build the wrong products and thereby dissipate tremendous resources on becoming excellent at something that is not valued by the customer (Stock and Lambert 1992).

Appropriate customer feedback can help answer the following important questions. How does an important customer define quality? How does our customer measure quality? Is our internal measure of quality consistent with the customer's measure of quality? Does our current level of 99 percent internal quality meet customer requirements? Would an improvement in our quality levels really be valued by our customer? Would an improvement in our quality levels really increase the competitiveness of our customer? Without this type of external focus, a firm's

Figure 1
Customer Service, Satisfaction, and Success Fundamentals

Approach	Focus	Issues
Customer Service	Meet internally defined standards.	• Fail to understand what customers value. • Expend resources in wrong areas. • Measure performance inappropriately. • Fail to deliver more than mediocre service. • Operational emphasis leads to service gaps.
Customer Satisfaction	Meet customer-driven expectations.	• Ignore operating realities while overlooking operating innovations. • Constant competitor benchmarking leads to product/service proliferation and inefficiency. • Maintain unprofitable relationships. • Vulnerable to new products and processes. • Focus on historical needs of customer does not help customer meet new market exigencies.
Customer Success	Help customers meet their competitive requirements.	• Limited resources require that "customers of choice" be selected; that is, customer success is inherently a resource intensive strategy

management team is placed in a position of hoping that it has selected the correct activities and measures to achieve the exceptional service desired by the customer. When the wrong activities or measures are used, both mediocrity and frustration result. For example, a division of one manufacturing company set quality performance standards at a level lower than the customer's (a sister division) expectations. Shipment after shipment that passed the internal standards was returned as unacceptable. Aligning quality standards at the higher level would have required additional training and investment but would have lowered long-term costs and eliminated substantial frustration and intra-firm rivalry. Discrepancies of this kind occur on a frequent basis when the firm operates with a traditional inward-looking customer service philosophy that emphasizes efficient, and even excellent, operations over appropriate understanding and aligned operations. Such discrepancies result in service gaps, which are the equivalent of an open invitation for competitors to enter the market and "steal" valuable customers (Parasuraman, Zeithaml and Berry 1985).

Customer Satisfaction

Customer satisfaction initiatives recognize the threat that service gaps represent. The focus engendered by satisfaction programs is therefore on obtaining direct input from important customers regarding their service expectations. The goal is to eliminate service gaps by meeting customer-defined expectations better than the competition (Zeithaml, Parasuraman and Berry 1990). Thus, to the same extent that customer service looks inward, customer satisfaction focuses outward. Likewise, just as customer service measures are internal to the firm, satisfaction measures are externally oriented, requiring customer feedback. The impact of customer input can vary substantially. Customer input might simply help the firm modify existing measures so that they are in better alignment with customer expectations, or it might lead the firm to reallocate resources and reevaluate priorities, or it might motivate the firm to adopt entirely new policies or practices. The critical issue is that customers are more centrally involved in defining and evaluating the performance relationship between the two firms. In other words, achieving high marks in customer satisfaction requires that the firm learns to benchmark against customer requirements

Several potential challenges emerge when the emphasis is on maintaining satisfied customers. Perhaps the most common challenge associated with a strong desire to satisfy customers is that some managers make promises that cannot be fulfilled and that ultimately lead to both alienated customers and considerable operating conflicts and confusion within the firm. Alternatively, in a desire to outdo competitors, service and product offerings can easily proliferate with a resultant loss of efficiency and perhaps relevancy. Relatively few customers have the foresight to turn down new products or services that might meet a niche need without creating real value or expanding real market opportunities. A close corollary occurs when the firm decides that it must meet the customer's requirements at any cost. This scenario might lead to high levels of customer takeaway without contributing to the firm's profitability and long-term survival. Finally, even highly satisfied customers can go out of business, leaving a firm with a diminished customer base. A satisfied customer is not always a successful customer, and successful customers are needed for sustained operations. This limitation to customer satisfaction initiatives arises when important customers become complacent or inward looking and lose sight of the value they really need to create for long-term success. Most of the limitations of a customer satisfaction approach diminish efficiency and the profitability of the buyer/seller relationship and the overall supply chain. Too heavy a focus on the customer and what has worked in the past can leave the relationship vulnerable to the exigencies of a dynamic marketplace and the predatory practices of global competitors.

Customer Success

Customer success initiatives are founded on the understanding that sustainable customer competitiveness is more important than maintaining a set of customers who are currently satisfied. Such initiatives also implicitly recognize that the buyer/supplier relationship must yield competitive advantage, or profit, to both firms. In fact, in a world where supply chains compete against each other for world market share, customer success endeavors focus on building a supply chain team that possesses world-class capabilities. Bringing these ideas together highlights the two fundamental distinctions between achieving satisfaction and success. First, helping customers achieve success requires a knowledge of the entire supply chain. That is, whereas customer satisfaction strategies require information to bridge the gap between the firm and its customers, customer success requires that a firm understand what its customers' customers desire in a product/service package. This knowledge of downstream requirements is needed to provide a "better" product/service mix--a mix that leads to enhanced customer competitiveness. It also helps to focus the entire supply chain on creating the greatest possible competitiveness for the entire supply chain team. One CEO explained the essence of creating customer success as follows, "We turn our customers into winners. Their success is cash in our bank. Our customer is our most important partner in cooperation--his customer benefits from this as well." (Ginsburg and Miller 1992).

Turning customers into winners can be a difficult process both in gaining the requisite knowledge and expertise as well as in translating that expertise into competitive advantage for the customer. The firm, and its supply chain partners, must invest in specialized skills to obtain vital information about downstream requirements that can then be used to tailor the firm's product/service packages to deliver exceptional value. At the same time, the firm takes on the role of consultant to its customers, educating them in areas where they lack needed skills or knowledge. When a good relationship exists between the firm and its customers, this educational role goes relatively smoothly and is genuinely appreciated. One manager pointed out that a particular supplier was indispensable because the supplier knew more about the industry than his firm, and more importantly, actively shared that knowledge to help his firm be more successful. However, when relationships are not well established, informing customers that they perhaps "are not always right" can be uncomfortable. Even so, leading firms realize that it is better to turn down a customer request for a product or service when the product or service in question is inappropriate for the customer's real needs. The key is to help the customer identify and/or develop a product/service package that will more successfully fulfill market requirements and enhance the customer's competitiveness.

Second, profitably enhancing customer performance requires an integrative approach that balances internal operations and external satisfactions. Meeting the real needs of the high-service sponge yields the firm very little advantage if the firm cannot do so at a profit. Of course, legitimate occasions exist when a firm might incur a short-term loss in order to secure a market relationship that will prove profitable over the duration of the relationship. The challenge is twofold: first, to identify attractive opportunities where the firm's capabilities match the market needs of key customers and second, to coordinate the firm's--and its supplier's--value-added efforts so that the firm can efficiently deliver valuable takeaway to the selected customers. Even as management begins to evaluate market opportunities, a need exists to integrate marketing and operations activities to better define potential takeaway and determine whether the needs of specific customers can really be met efficiently and effectively. This evaluation process necessitates that managers realize that not all customers are equal and that individual customers have different needs that require different resource commitments. Managers must select "customers of choice" and then help them succeed by delivering value-added services that are unique to them.

Having identified key customers and what constitutes real takeaway for them, the task is to achieve the communication and coordination necessary to use the diverse value-added activities of the entire upstream supply chain to profitably create and deliver the required set of takeaways. To do this, takeaways must be clearly defined and communicated and each part of the organization as well as each member of the supply-chain team must understand 1) its role in the value-added process, 2) the value that is added by other areas within the firm and across the supply chain, and 3) how decisions made in one area impact other areas as well as the overall value-added process. This level of understanding provides the foundation for cross-functional and inter-organizational integration and process management. Efficient and effective takeaway results when synergistic integration is sought after and achieved.

CONCLUSIONS AND IMPLICATIONS

In today's dynamic global marketplace, the firm must use a set of constrained resources—its own combined with its supply chain allies'--to help key customers go beyond satisfaction to competitive success, and to do so better than a constantly evolving and improving set of global competitors (Drucker 1994). The notion of profitable customer takeaway, which can appropriately be defined as providing product/service packages that help customers succeed while yielding profit to the firm, can help a firm build a world-class supply-chain team and a sustainable competitive advantage. The critical need in getting to this point is to carefully evaluate the firm's approach to customer relations to determine whether or not it is conducive to the creation and delivery of profitable customer takeaway. The customer service, satisfaction, and success paradigm described above provides the firm a framework to explicitly evaluate the level of profitable customer takeaway that is being provided. By evaluating and answering the following questions, managers can help assure the success of both their firm and the overall supply chain.

- Does the firm still operate from a service orientation that is driven by a set of internal measures of activity performance? If so, are the takeaways provided the ones that customers truly want, and does the firm provide them with world-class efficiency?

- If the firm has adopted a true customer satisfaction orientation, are the systems and measures in place to really know what customers want and need? Or is the firm operating on past assumptions? Further, has the emphasis on customer satisfaction adversely impacted operations in a way that hurts profitability?

• Does the firm really understand the supply chain and the competitive needs of the different members of the supply chain? What imperatives are changing the competitive dynamics of the supply chain?

• Does the firm know how profitable different customer relationships are? Where are the capabilities created that lead to enhanced customer, and supply chain, performance?

• Could specific value-added roles be better defined and more appropriate processes developed? Could communication and coordination be improved to deliver more profitable customer takeaway? If so, how?

• Is the firm providing value to other supply chain members that will enhance the overall competitiveness of the supply chain? Can the firm's product/service package be provided by another member of the supply chain in a way that threatens the firm's active participation through role shifting?

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