



LINCS: Leveraging, Integrating, Networking, Coordinating Supplies

# CUSTOMER SERVICE OPERATIONS CERTIFICATION TRACK

for Entry- to Mid-Level Professionals in Supply Chain Management

*Developed by the LINCS in Supply Chain Management Consortium, comprised of the following educational institutions:*

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<i>Columbus State Community College</i>	<i>Northwestern University</i>
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<i>Florida State College at Jacksonville</i>	<i>San Jacinto College</i>
<i>Georgia Institute of Technology</i>	<i>St. Petersburg College</i>
<i>Harper College</i>	<i>Union County College</i>

*In partnership with the Council of Supply Chain Management Professionals.*



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# Title Page

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# Preface

The information in this Preface is an overview of LINCS in Supply Chain Management.

**Supply Chain Management (SCM)** as a paradigm is nothing new to business and industry. However, academia and employers have recently seen SCM become a major focus. There are currently several industry-recognized certifications in SCM, largely focused on individuals with experience in management through the executive level. The curriculum in the certification tracks listed below is directed at those who have entry- to mid-level experience.

The curriculum for these certification tracks include eight topics in SCM:

1. SCM Principles
2. Customer Service Operations
3. Transportation Operations
4. Warehousing Operations
5. Supply Management and Procurement
6. Inventory Management
7. Demand Planning
8. Manufacturing and Service Operations

Each certification track can be taken on its own to earn one certification; multiple certifications can be earned in any order. Each certification track covers the basic elements of the primary certification track, which allows the learner to obtain a foundational understanding of the best practices and processes associated with each topic.

**Common Learning Blocks** accompany each certification track, providing an overview of SCM. It is highly recommended that both the standalone Common Learning Blocks document **and** the certification track document be thoroughly reviewed **prior** to taking a national certification examination.

The content provided within this certification track relates specifically to **Customer Service Operations**. The national certification examination will include questions on both the **Customer Service Operations** content and the **Common Learning Blocks** content.\*

\*NOTE: Materials listed under *Optional Supplemental Resources* sections (in some certification track documents only) are not included on the national certification examination.



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# Abstract

Customer service, when properly implemented, can be an enabling process and a strategy to create customer satisfaction. In turn, customer satisfaction creates happy and loyal customers; maintaining these relationships is key for continued sales and repeat business. In order to provide customer satisfaction at every level, customer service should be defined by the culture of the organization. It must be the responsibility of *every* employee during *all* customer interactions.

Customer service operations are woven into every aspect of the supply chain; therefore, customer satisfaction and customer retention are of paramount importance for every company. Companies use products and services to attract customers, so the need for customer service operations is unavoidable.

This certification track is intended to provide a description of the basics of customer service, sound communications processes, advice for dealing with challenging customers, the customer order and return (reverse logistics) processes, jobs in customer service, and legal concerns.

The goal of this certification track is to prepare students to successfully pass the customer service operations national certification examination. The content of the certification track was developed by LINCS in Supply Chain Management Consortium. **SCPro™ Fundamentals Certification** examinations are owned and administered by the Council of Supply Chain Management Professionals (CSCMP).





# Learning Block 1: Customer Service Overview

## Learning Block 1 Description

This learning block provides an introduction to the key elements of **customer service** that are necessary to ensure high levels of customer satisfaction. In addition to the introduction, various types of customers are explored, along with common barriers and approaches to addressing challenging customer situations that inhibit satisfaction. Finally, the customer **order process**, **customer relationship management (CRM)**, **customer life cycle (CLC)**, and maintenance of ongoing relationships are explored as processes for customer satisfaction.

## Learning Block 1 Learning Objectives

Upon completing this learning block, the learner will be able to:

- Understand how customer service can lead to customer satisfaction
- Differentiate key steps in the customer order process
- Explain job roles
- Interpret legal concerns
- Recognize how service performance is measured
- Remember several key technologies used in CRM
- Implement the key aspects of maintaining and improving customer relationships

## Unit 1: Customer Service Defined

Customer service can best be thought of as the set of processes and supports an organization employs to create customer satisfaction. Customer satisfaction, in turn, creates loyal customers, with whom maintaining relationships is key for continued sales and repeat business. Dissatisfied customers can serve as a roadblock to acquiring new customers and ultimately endanger the reputation of an entire organization. In today's world, unhappy customers may turn immediately to social media and other means of **communication** to discourage others from doing business with the organization.

Customer service, or how an organization interacts with its customers, should take place before, during, and after a purchase. Customer service may occur when an employee performs a transaction for a customer, such as providing guidance during a sale or assistance with a **return**. Customer service can take the form of in-person interactions, phone calls to a **call center**, self-service websites, live **Internet** chats, and any other methods that help address customer questions and concerns.



Customer service is not solely the responsibility of the customer service department. In order to provide customer satisfaction at all levels, dedication to customer service should be integrated throughout a company by the organization's culture; it must be the responsibility of *every* employee during *all* customer interactions.

However, we must acknowledge that some companies' management behavior and practices do not support or encourage good customer service. Examples of poor customer service practices include restrictive company policies, poor product warranties, inadequate return policies, and outdated procedures in dealing with customer issues.

It should also be noted that interactions between sellers and buyers can be quite different, depending on the industry, product, or service. For example, **business to consumer (B2C)** refers to supply chains in which businesses sell to end consumers (e.g., Apple sells an electronic device to an individual for personal use). **Business to business (B2B)** supply chains, meanwhile, are those in which businesses sell to other businesses (e.g., Kraft sells packaged food products to grocery stores).

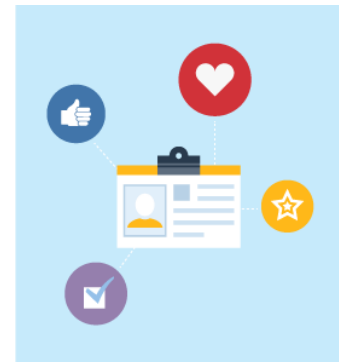


Figure 1. Customer satisfaction. Developed by LINCS in Supply Chain Management Consortium.

## Characteristics of Good Customer Service

The following are accepted characteristics of good customer service that can lead to customer satisfaction:

- **On-time delivery:** Products and services delivered as promised
- **Politeness:** Courteous, well-mannered interactions
- **Professionalism:** Efficient, competent, and effective
- **Personalization:** Skilled at making customers feel like special individuals
- **Quality:** Providing products and services that meet customer specification(s)

## Types of Customer Service

Different forms of customer service are provided by businesses, which are typically focused on the type of products or services provided:

- **Call center:** This is one of the basic means of providing customer service. Call centers employ company representatives to work with customers and potential customers via telephone to take orders and handle customer questions and issues
- **Technical customer service:** These are company workers who can answer technical and other specialized questions related to products or services and address issues associated with repairing or replacing products
- **Customer service stations:** Customers can go to these stations to return or exchange goods, ask questions, discuss issues, and ask for help with their shopping needs
- **Live chat:** Usually a pop-up option on an Internet site, this creates a virtual method of immediate communication between customer and company without the need for a telephone
- **Email:** This method is becoming outdated when a rapid response is needed, but it does enable customers and companies to communicate and transfer information; it is still useful in very detailed customer service issues



- **In-person:** While computers, tablets, and cell phones facilitate customer interactions, in-person interaction should remain a key approach to staying in touch with customers. This mode also facilitates nonverbal communication to obtain better assessments of customer feelings

## Unit 2: Customer Service Barriers

There are a number of barriers to good customer service, including lack of proper personnel training and inadequate staffing in customer service, insufficient authority to manage requests, and the inability of personnel to handle stressful environments. Customers have certain expectations about customer service; for example, they pay close attention to how they are treated during their interactions with companies, how much time it takes to serve them, and the overall interactive experience.

### Barriers to Good Customer Service

The following are examples of barriers that block good customer service:

- **Lack of proper training and inadequate staffing:** Companies that are generally perceived as having good customer service train their staff regularly and employ the right level of customer service providers. Training helps to prepare customer service providers with the ongoing skills and support to manage stressful and even combative situations.
- **Insufficient authority to manage requests:** Providing the necessary answers to customers' issues is critical to success when dealing with dissatisfied customers.
- **Inability to handle stressful environments:** Customer service inherently involves working with dissatisfied customers much of the time, so it can be a stressful environment. Because of this, some individuals find they are unable to cope with working in the customer service field.

### Customer Expectations

Customer service providers should set customers' expectations early. It may be a complicated process, but customer service providers should reassure customers that they will attempt, in every way possible that is consistent with the organization's policies, to not only meet but also to exceed customer expectations. Different steps these providers can take include:

- Following the organization's processes and procedures to find the root cause of the problem
- Keeping an outward presence of calmness, respect, and empathy
- Assuring the customer that customer service providers will do everything within their power
- Solving the problem in the quickest and easiest way

## Unit 3: Maintenance of Customer Relationships

Improving customer relationships should be a priority for any company; a good place to begin is with the old adage that the customer is always right. Catering to customer needs is the basis of any good customer relationship, and all customer transactions should be geared toward serving customers well.



Giving customers what they want helps create satisfied customers who are likely to return for more products or services and recommend the company to others.

Devoting time to customers before, during, and after sales transactions is important. Undivided attention and care should be provided in ensuring customers are satisfied with their purchases, especially when making the initial sale. This type of customer service requires workers to handle any negative issues that may arise after transactions quickly and efficiently.

Staying in contact with customers is also a good method of improving customer relationships, which sometimes requires the use of different types of software. Using CRM software allows for the creation and maintenance of customer databases that can include contact information, mailing lists, and even notes about customers' preferences. This data allows salespeople to better cater to their customers.

Technology can be also used effectively in CRM. Having an online presence via social media or other websites, for instance, can be used to improve customer satisfaction. Having a website establishes an online presence and allows the company to communicate important information rapidly. Connecting with customers and maintaining good customer relations is generally the result of engaging in ongoing conversations with customers.

There has been an explosive growth in companies' use of social media networks such as Twitter and Facebook to enhance their online presence. Companies can present new products and services, novel marketing ideas, and answer questions from customers. Improving customer relationships is also one of the best ways to ensure customers continue to buy products and services and to ensure customers are satisfied during and after a sale.

Companies also need to consider the power of social media for their customers, as it has become incredibly easy for customers to share their opinions, good or bad. Positive comments can obviously help promote future business; bad opinions, on the other hand, can drive potential customers to competitors.



*Figure 2. "...just calling to see how your new product is working out and if there is anything else we might be able to help you with." Developed by LINC'S in Supply Chain Management Consortium.*

## Unit 4: The Customer Life Cycle

CLC is a term used to describe the steps firms follow in identifying, gaining, managing, and keeping customers. **Customer life cycle management (CLM)** involves controlling all aspects of the customer life cycle.

CLM is an approach that builds long-term value by ensuring that every part of an organization understands its particular role in serving customers well. This requires that individuals within the organization are focused on improving immediate customer satisfaction, trained to capture information about future customer needs, and aware of when and how to interact with other departments (Rouse, 2012-2015a). CLM is focused on responsiveness to customers; therefore, individuals within companies



should be aware of customers' needs and how to meet them effectively. The focus should be on meeting today's customer demands while learning and communicating future needs.

CLM also involves simplification. Because organizations often have overlapping systems and databases, the customer experience is not always positive due to delays and inaccuracies. CLM seeks to centralize all customer information by using integrated systems so all parts of the company are contributing to a single source of **customer intelligence** information and data. That way issues do not arise if departments like marketing, sales, and operations do not share certain customer information with other functional groups. With CLM, this information is shared and integrated automatically so it can be used to serve customers in the best way.

Finally, CLM is concerned with obtaining customer intelligence, performing analyses, and making decisions. Through CLM, companies seek to build customer profiles to highlight patterns, expose unmet needs, discover ineffective communications, reveal inefficient processes, find potential cost savings, and identify research and development opportunities. Well-designed CLM processes provide a strong foundation and approach for effective CRM.



*Figure 3. Customer life cycle. Developed by LINCS in Supply Chain Management Consortium.*

## Unit 5: Customer Relationship Management (CRM)

CRM includes interactions between organizations and their customers. This concept also includes technologies companies use to manage and analyze customer interactions and data throughout the CLC, such as contacts, sales leads, contracts, and customers' ongoing state of satisfaction. The goal is to improve business relationships to assist in customer retention and drive sales.



*Figure 4. An effective professional image is important for customer relations. Acquired from pixabay.com.*

CRM involves developing and defining strategies using CRM software to support a better and more effective customer experience.





The following are key areas that should be understood when developing CRM strategies:

- ✓ **Who are the customers?** Companies need to understand the people with whom they are building customer relationships. This includes the type of industry served, the relative number of customers reached, the range of products required by customers, and any special service arrangements with particular customers like after-hours delivery, delivery in non-standard quantities, etc.
- ✓ **How can both parties benefit from the relationship?** Companies need to understand how their customers expect to benefit from the relationship. This benefit will depend on the nature of the products and services companies provide and customers purchase. For example, if customers are looking for support after normal business hours, then suppliers need to be able to provide this service while continuing to make a profit.

Processes and systems need to be designed and implemented so as to lead to quick and effective identification and resolution of customer-related issues. Relationships should improve through effective, timely communication with a focus on responsiveness. In CRM, it is the people who build relationships; the systems are there to support those relationship-building efforts.

One example of a leading CRM tool is a product called salesforce.com, which allows customer service personnel to easily log, manage, and analyze all customer activity in one place using a Web-based CRM software suite. Customer service personnel can continually monitor everything from sales leads and support tickets to channel marketing and website analytics.

## Understanding Business and Supply Chain Relationships

To understand CRM, it is important to grasp first that relationships in the supply chain are interactions between customers and suppliers over a period of time. If one or just a few interactions take place, this would not be considered a relationship (e.g., paying for the UPS or FedEx services to transport a package for a birthday).

However, if many interactions occur between customers and suppliers over a long period of time, then all involved would refer to it as a relationship. Many companies acknowledge relationships exist once the parties involved move from transactional independence to ongoing interdependence (see *Figure 5*).



*Figure 5. Employees working with customers. Acquired from pexels.com.*

## Tools and Technologies Used in CRM

Advanced technologies are used by many companies in relationship management. Many of today's best companies manage customer relationships electronically with CRM systems and software to handle a number of tasks:

- 1 They help gather information about customers like buying patterns, preferred means of shopping, and spending amounts



- 2 They provide analyses of historical data obtained from customers' shopping records to determine customer preferences and behavior
- 3 They provide access to data across departments or even with partner firms
- 4 They allow customers to have access to their transactions online
- 5 They help communicate with customers in a personalized manner, as with texts, emails, and social media sites

CRM must be effectively supported by technology, which can even help track customers' entire relationships with companies. For example, they can help track points of contact like letters or sales calls, frequency of purchases, and the amount spent by each customer. CRM programs can also be used to help track types of interactions; for example, they can track responses to emails or responses to marketing campaigns to ensure customers are receiving communications targeted squarely at their interests.

CRM software is used to support CRM. Effective CRM software provides an instant view of a company's customers and prospects and all employee interactions with them. CRM software packages have decreased in price and scale, making CRM software now available to small- and mid-size businesses.

## Types of Relationships

In industry, it is not unusual for businesses to segment their customers based on the overall customer service strategy since "not all customers are created equal." There are thus three main types of relationships in the supply chain; transactional, collaborative, and strategic. Transactional relationships involve only a few interactions over a long timeframe; collaborative relationships develop when suppliers and customers work closely on an ongoing basis for mutual benefit and form close ties; strategic partnerships occur when customers interact with suppliers as an extension of their own organizations.

### Transactional Relationships

In transactional types of relationships, also known as arm's-length relationships, suppliers could simply be sellers or providers of products or services, and firms only interact for needed purchases. One challenge with this type of relationship is the lack of close communication. Additionally, customers may spend large sums of money in expediting orders and in monitoring the quality of the incoming items, and suppliers may be inflexible in responding to customers' requirements.

### Collaborative Relationships

A collaborative relationship is one of mutual benefit. There is a varying level of trust, but some trust is always required. Companies work together to increase savings and further innovations, though not necessarily on an ongoing basis. The challenge with this type of relationship is that buyers and suppliers must invest time in developing the relationship as opposed to other value-adding activities. There may also be higher switching costs if problems arise with suppliers.





## Strategic Relationships

In a strategic relationship, also known as a **strategic alliance** or partnership, firms cooperate closely to achieve mutual advantage. This type of alliance is usually based on relationships that are built up over time between both the firms and the specific people involved. This type of relationship is beneficial to both parties because it reduces uncertainty, improves communication, increases loyalty, and enhances business performance by all parties working together. The challenges with this form of relationship usually include significant resource commitments by participating organizations and the need to share intellectual property and information relating to finances, strategy, planning, and goals. These challenges expose all firms involved to a certain amount of risk, so most firms are very careful when sharing such details with other companies.

## Unit 6: Service Performance Metrics

Service performance metrics should be viewed as critical components of an organization's **key performance indicators (KPIs)**. They should be based on good communication and a common understanding between suppliers and customers of what will be assessed and how it will be measured.

For example, one customer might request metrics for errors on a specific order, while another might be more interested in errors for a specific line item in recurring orders on an ongoing basis. Performance metrics that help drive excellent customer service are becoming more important in helping achieve customer satisfaction and greater business success. A number of categories can be used when measuring service performance. The following are examples of common metrics that provide useful ways of examining and improving logistics and supply chain performance:

### Delivery

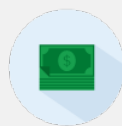
- On-time delivery/receipt
- **Order cycle time**
- Response time



*Figure 6. On-time delivery. Developed by LINC in Supply Chain Management Consortium.*

### Costs

- Total delivered costs
  - Costs of goods
  - Transportation costs
  - Inventory carrying costs
  - Material handling costs



*Figure 7. Costs. Developed by LINC in Supply Chain Management Consortium.*

### Quality

- Perfect order **fulfillment**
  - Complete order
  - Accurate product selection
  - Damage-free
  - Accurate **invoices**



*Figure 8. Quality. Developed by LINC in Supply Chain Management Consortium.*



## Learning Block 1 Summary

Customer service, when carried out as part of an overall organizational strategy, can lead to high levels of customer satisfaction. CRM is a process that enables multiple pieces of information to be accumulated about customers, sales, marketing effectiveness, responsiveness, and market trends. This information can help improve customer service, increase efficiency, reduce costs, increase overall profitability, and help improve and streamline sales and marketing processes. CRM is an approach organizations use to reduce costs and increase profitability by improving customer loyalty.

Types of business relationships range from distant relationships to strategic alliances. Several measures exist for assessing service performance; the ones chosen should be based on a common understanding of what will be assessed and how it will be measured. A number of categories can be used when measuring service performance, including time, quality, and cost.

CLM is a term used to describe the steps firms take in identifying, gaining, managing, and keeping customers. This approach builds long-term value by ensuring that all parts of an organization understand their roles in serving customers well.

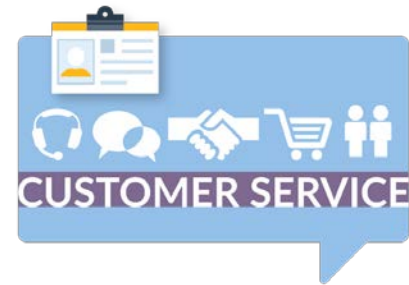


Figure 9. Customer service. Developed by LINCIS in Supply Chain Management Consortium.

## Learning Block 1 Optional Supplemental Resources

The optional supplemental resources listed below may be used to reinforce the content covered within this learning block.

Futrell, C. M. (2013). *Fundamentals of selling: Customers for life through service* (13th ed.). New York, NY: McGraw-Hill/Irwin.

Johnston, M. W., & Marshall, G. W. (2009). *Relationship selling* (3rd ed.). New York, NY: McGraw-Hill/Irwin.

Sheldon, D. H. (2006). *World class sales and operations: A guide to successful implementation and robust execution*. Ft. Lauderdale, FL: J. Ross Publishing.

## Learning Block 1 Practice Questions

### 1. What is customer relationship management?

- It is an approach to reducing costs and increasing profitability solely by using data to analyze customer needs
- It is a suite of software tools that helps manage customer relationships
- It is a process for managing difficult customers
- It is an approach to reducing costs and increasing profitability by improving customer loyalty



2. **Customer service can be defined as the overall process or strategy that an organization employs to:**
  - a. Create customer satisfaction
  - b. Process warranty returns
  - c. Build a good website
  - d. Guard against negative comments on social media
  
3. **What is a major challenge associated with collaborative relationships?**
  - a. They rarely achieve the kind of performance results that cooperative relationships achieve
  - b. Organizations must spend time developing the relationship as opposed to other value-adding activities
  - c. They take a minimal amount of time, energy, and effort
  - d. They are costly to implement and are rarely successful
  
4. **Transactional relationships in a supply chain are also called:**
  - a. Cooperative relationships
  - b. Competitive relationships
  - c. Arm's-length relationships
  - d. Distributive relationships
  
5. **Which of the following terms best describes an approach that seeks to build long-term value by ensuring that every part of an organization understands its role in serving the customer?**
  - a. Quality management
  - b. Value stream management
  - c. Customer relationship management
  - d. Customer life cycle management
  
6. **What are the three general types of relationships in the supply chain?**
  - a. Transactional, collaborative, and strategic
  - b. Combative, adversarial, and non-productive
  - c. Cooperative, arm's-length, and short-term
  - d. Strategic, limited, and cautious
  
7. **What are the key steps or stages of customer life cycle management (CLM)?**
  - a. Introduction, acquisition, conversion, and loyalty
  - b. Identifying, gaining, managing, and keeping customers
  - c. Introduction, growth, maturity, and decline
  - d. Reach, acquire, maintain, and grow



8. Which of the following describes two or more organizations cooperating and modifying their business objectives and practices to achieve joint long-term goals and objectives?
- Arm's-length
  - Friendship
  - Joint venture
  - Strategic alliance
9. What are three main categories of performance measures for evaluating customer service performance?
- Retention, quality, cost, and supporting measures
  - Technology, quality, cost, and time measures
  - Delivery, cost, and quality
  - Time, quality, price, and supporting measures
10. When should time be devoted to customers to ensure good maintenance of relationships?
- Before, during, and after the sale
  - During the order entry process only
  - When there is a warranty issue
  - When there is a product failure





# Learning Block 2: Communication Skills in Customer Service

## Learning Block 2 Description

This learning block provides an overview of communication skills and communication processes used to provide excellent customer service before, during, after a sale. Different forms of communication are reviewed, such as written, oral, listening, nonverbal, and visual. Barriers to communication are reviewed, as are guidelines for managing challenging customers.

## Learning Block 2 Learning Objectives

Upon completing this learning block, the learner will be able to:

- Understand how to describe the communication activities related to customer service
- Identify and describe various communication methods and their characteristics
- Interpret guidelines for effective communication in customer service
- Recognize the key barriers to effective communication and how to overcome them

## Unit 1: Communication

Communication involves the transfer of information among people. There are various methods of communication, and more than one may occur at one time. Communication involves sending and receiving information through different methods: written communication, oral communication, nonverbal communication, and visual communication.

Messages and other methods of communication are directed by senders through various means of communication, including oral or written communication to one or more receivers. Being effective communicators requires business workers to understand to whom they communicate, the message they communicate, and the most appropriate form of communication. Communication of certain messages is sometimes best achieved through written means, and communication of other messages is best achieved through oral (in-person) means. Sometimes, both are appropriate, depending on the situation and the type of message being conveyed. To ensure effective communication has taken place, it is good for communicators to obtain feedback from receivers of the information.



*Figure 10. What does the body language of some of these people tell you about their conversations and how they are responding? Developed by LINCS in Supply Chain Management Consortium.*



## Unit 2: Communication Processes

### Communication Channels

**Communication channel** is a term used to describe the method of communication used. There are many ways to communicate in business today, including emails, voicemails, phones, texts, instant messaging chats, and social media. It is crucial to choose the appropriate communication channel for each type of communication. For example, written communication is best used for conveying messages to large groups of people if little to no interaction is required. When communicating more complex messages that require direct feedback, oral communication is best. Furthermore, many people receive messages better in oral or written form, while others prefer visual messages that include charts, images, and graphs.

#### *Written Communication*

Excellent writing skills are important for communicating well in business because they can help send messages to far larger audiences than would ever be possible through in-person or telephone conversations. Correct grammar, spelling, and punctuation are all important in written communications. Readers form opinions of authors and the organizations they represent based on the clarity and quality of the content in written communication. Even simple errors can lead readers to form lasting negative impressions. In addition to grammar, spelling, and punctuation, it is important to consider the audience and to write with them in mind. Effective writing allows readers to understand rapidly and thoroughly everything that is being communicated.

#### *Oral Communication*

Oral communication is another important method of communicating information; it involves using the spoken word to deliver messages. Communicating in person with two or more individuals and speaking in public are two examples of oral communication (SkillsYouNeed.com, 2011-2015). Several issues can arise when communicating orally, including misunderstanding messages and handling language barriers.

#### *Listening Communication*

Listening is yet another important means of communication in business because effective listening requires an active effort to understand others. The following guidelines will assist anyone who wants to learn how to listen to understand others' communication:

- Listen for the meanings behind their words
- Seek clarification whenever messages are not understood
- After learning appropriate listening skills, apply them when receiving key messages
- Avoid roadblocks to effective listening such as having pre-conceived ideas, thinking ahead, and thinking of topics not connected to those being discussed



## *Nonverbal Communication*

Nonverbal communication can send a much clearer message than oral communication; it includes hand gestures, facial expressions, and tone of voice. What is communicated orally and through body language can be completely different; it can also emphasize or downplay what is being said during oral communication.

The way people listen, look, move, and react sends messages. When nonverbal signals are paired well with spoken words, trust, clarity, and rapport can all increase; however, when nonverbal signals do not pair well with what is said, tension, confusion, and even mistrust can develop. A basic awareness of nonverbal communication and how to interpret it can help improve interactions with others.

## *Visual Communication*

Visual communication uses images to persuade, entertain, inform, and enlighten customers or potential customers about products, ideas, and messages. Visual communication includes signs, photographs, tables, and diagrams, among other tools; it also includes different kinds of visual technology like televisions, DVDs, and computer displays.

## Unit 3: Barriers to Communication

Information is often misunderstood because of barriers to communication, which cause people to see and hear things differently than others do. Multiple barriers can be present at the same time for both senders and receivers. Common barriers to communication include:

- **Use of unfamiliar terms:** Simple, clear terms should be used instead of ambiguous words and jargon-filled language
- **Lack of attention from receivers:** Receivers of information and communication should focus on listening to what is being communicated
- **Language differences:** Using interpreters can help communicators overcome language differences. If hiring interpreters is impossible, then using simple, direct language is crucial
- **Differences in views or perceptions:** Communicators should be sensitive to this barrier and attempt to communicate so even those with different views and experiences can understand messages
- **Cultural differences:** Cultural backgrounds influence the way people think and communicate, so it is important to be aware of these differences and adjust communication styles and content accordingly
- **Preconceived ideas and notions:** When communicating with others, preconceived notions can affect the outcome of conversations, so communicators should keep this in mind and avoid allowing these notions to influence their thoughts

When communicating, it is important to be aware of these barriers to effective communication and look for ways to overcome them.



## Unit 4: Guidelines for Effective Communication

Communicating effectively requires different efforts from various parties: receivers of communication should focus on what is being communicated, while senders of communication should always think about how the messages they are sending might be received. Clear communication can help avoid misunderstandings and potential conflicts.

### Use of Words

Using specific, full, and substantive words is important; it can even make or break a relationship with a customer. It is also important to communicate using words that are positive, optimistic, and constructive, like *can* and *will*; these types of words show confidence and helpfulness. Negative words and phrases like *can't* or *won't* express the opposite.



For example...

Instead of saying, "We can't get XYZ done in time if ABC doesn't get here soon," a more appropriate expression would be, "As long ABC arrives on time, then XYZ can be completed on schedule."

## Unit 5: Management of Challenging Customers

Every company has to deal with challenging customers, but some have internal conflicts that they express to others in a challenging or even confrontational manner. Today's world is full of unique personalities, many of whom can come across as defensive and negative.



Figure 11. Angry customer. Acquired from maxpixel.com.

### Types of Challenging Customers

Most challenging customers fall into one of the following categories:

- Individuals who are angry or openly antagonistic and aggressive
- Individuals who lack good communication skills or cannot express their thoughts well
- Individuals who have an attitude of arrogance or supremacy
- Individuals who personally attack others—usually employees, but sometimes other customers
- Individuals who are overly talkative

### Preventing Challenging Customer Interactions

Customer service representatives must use caution when handling customers so they do not unintentionally create challenging customer interactions. These interactions can be created by any of the following:





<b>Making customers wait</b>	It is important to remember customers' time and needs are valuable, so taking excessive time or making them wait can create a challenging customer
<b>Sharing bad moods</b>	Life happens to everyone, but creating a challenging situation by sharing your own life's frustrations should be avoided
<b>Forgetting regular customers</b>	To escape awkward encounters with loyal customers, it is important to know their names and make them feel welcome
<b>Making negative comments</b>	Making smart remarks can create or aggravate challenging customers, so comments of this nature must be avoided

## Methods of Listening to Customers

Listening is an active, learned process by which one message is understood and another message is used to respond; listening well must be practiced. Handling challenging customers is best accomplished by first listening to them to understand the causes of their situation and frustration, relaying your understanding and empathy back to them, and then detailing plans to resolve the issues.

## Key Steps to Customer Issue Resolution

Following are the key steps involved in customer **issue resolution**; they can be used by nearly any business to retain customers:

- 1 **Listen:** Let customers speak without interruption
- 2 **Acknowledge:** Demonstrate understanding and apologize for the situation; customers will be more receptive to solutions if they receive the attention and understanding they want
- 3 **Solve:** Offer customers real solutions and let them know what can be done for them instead of dwelling on what cannot be done
- 4 **Thank:** Thank customers for shopping; if they are satisfied, they will share word of your efforts

## Issue Management Plan

Each customer issue or complaint must be documented so that an **issue management plan** can be developed. This plan could be a series of investigations and actions on the part of customer service representatives. The issue management plan will specify how issue escalations will be handled with supervisors and managers and how customers will be dealt with throughout the issue management cycle, which includes the steps from identifying an issue to resolving that issue.



## Learning Block 2 Summary

Communication channel is a term used to describe a particular method of communication. Communication involves the movement of information among people and places. There are various methods of communication, more than one of which may occur at the same time. Being effective communicators requires personnel to understand with whom they are communicating, the messages they communicate, and the most appropriate form of communication.

Oral communication involves using the spoken word to convey messages. Listening is an important means of communication because effective listening requires an active effort to understand others. A basic awareness of nonverbal communication and how to interpret it can help improve interactions. Excellent writing skills are important to communicate well in business because they can help send messages to far larger audiences than is possible through in-person or telephone conversations. Visual communication uses images to persuade, entertain, inform, and enlighten customers or potential customers about products and ideas.

Information is often misunderstood because of barriers to communication, which cause people to see and hear things differently than others do. Common barriers to communication include language differences, cultural differences, and preconceived notions.

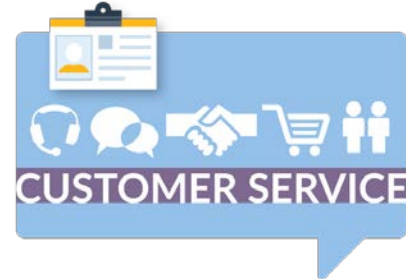


Figure 9. Customer service. Developed by LINGS in Supply Chain Management Consortium.

## Learning Block 2 Optional Supplemental Resource

The optional supplemental resource listed below may be used to reinforce the content covered within this learning block.

Harris, E. K. (2012). *Customer service: A practical approach* (6th ed.). Upper Saddle River, NJ: Prentice Hall.

## Learning Block 2 Practice Questions

1. All of the following are considered communication categories in the customer service process except:
  - a. Written communication
  - b. Flag signal communication
  - c. Visual communication
  - d. Nonverbal communication



2. **Communication involves which of the following information methods?**
  - a. Receiving and processing
  - b. Listening and receiving
  - c. Listening and processing
  - d. Sending and receiving
  
3. **Which of the following is not an interaction that could create a challenging customer?**
  - a. Making customers wait
  - b. Sharing a bad mood
  - c. Making negative comments
  - d. Quickly resolving an issue
  
4. **Which communication method requires an active effort to understand others?**
  - a. Speaking
  - b. Listening
  - c. Corresponding
  - d. Writing
  
5. **Which term is used to describe the various methods of communication?**
  - a. Conveyance
  - b. Bi-lateral communication
  - c. Communication channels
  - d. Transcendence
  
6. **Written communication is particularly effective for communicating a message to which type of audience?**
  - a. Large
  - b. Small
  - c. Private
  - d. Closed
  
7. **Expressions, hand and eye movements, postures, and gestures are all examples of what type of communication?**
  - a. Written communication
  - b. Nonverbal communication
  - c. Visual communication
  - d. Oral communication
  
8. **All of the following are true when listening for understanding except:**
  - a. Do not listen for the meaning behind words
  - b. Seek clarification where the message is not understood
  - c. Work to apply appropriate listening skills when receiving a message
  - d. Work to avoid roadblocks to effective listening



9. All of the following are considered barriers to effective communication except:

- a. Relevance to the receiver
- b. Jargon
- c. Language differences
- d. Cultural differences

10. A customer that is angry, openly antagonistic, and aggressive can be classified as a

- a. Content customer
- b. Challenging customer
- c. Returning customer
- d. Sporadic customer





# Learning Block 3: The Order Process

## Learning Block 3 Description

This learning block describes the order process and provides information about the role of customer service in executing customer orders. The activities and importance of knowing how orders are handled, managing customer relationships, and fulfilling orders are discussed. The learning block also provides an overview of procedures, processes, and strategies that are part of the **order management** process, along with the systems used in placing, tracking, managing, and fulfilling orders.

## Learning Block 3 Learning Objectives

Upon completing this learning block, the learner will be able to:

- Demonstrate knowledge of the overall order management process
- Understand how order management and order processing is accomplished
- Recognize how firms track and monitor orders throughout the supply chain
- Execute the steps in the order fulfillment process
- Implement key aspects of using different technologies, systems, and tools in the order process
- Evaluate the impact of effective customer service, especially in issue resolution
- Create good practices for the order process

## Unit 1: Systems and Technologies

The order management process starts with **customer request/arrival**, which can range from general to specific requests on products or services. Many customers call, write, email, or ask in-person questions pertaining to the following subjects:

- Product specifications
- Price
- Availability
- Potential discounts

These requests could then be followed by customers placing orders or requests for further up information. For many organizations, customers' orders are entered into **order entry** systems manually. Many other organizations' customers, however, place their orders via the Internet, so their orders are automatically entered into the system.



## Order Management System (OMS)

**Order management systems (OMS)** are used to support the order process through automation. They also provide constantly updated information about inventory, a database of vendors, a database of customers, a record of customer returns and refunds, information about billing and payments, order processing records, and general ledger information. The benefits of a well-implemented OMS include improved sales visibility, better customer relations, and efficient order processing with minimal delays and backorders.

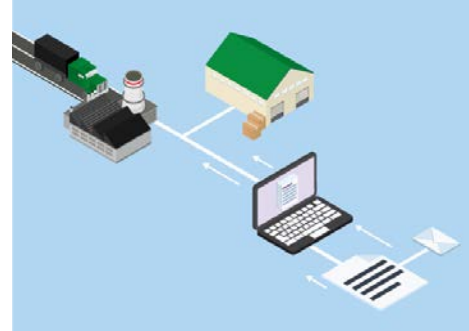


Figure 12. Order management systems. Developed by LINCIS in Supply Chain Management Consortium.

## Ecommerce Order Management

Ecommerce involves selling and buying goods and services by using the Internet to transmit information and transfer funds. Ecommerce and retail OMS help companies improve order processing, track inventory, sell online, and provide many other services. Most online retail businesses have some kind of OMS.

## Order Management Technology

Technology can not only support the entire order process from beginning to end, but it can also ensure effective and efficient return processes for customers. Various technologies help support the order management process:

- Telephone, fax, and mail
- Internet
- **Electronic data interchange (EDI)**
- Barcoding
- **Point of sale (POS)** technology
- OMS

### Telephone, Fax, and Mail

Telephone, fax, and mail are traditional means of taking, confirming, querying, and tracking orders. They have long been heavily used by companies for communication and business purposes. Today, telephones, fax, and mail remain popular; however, they have been largely superseded by companies' use of the Internet.



## Internet



The Internet is a worldwide system of networks linked by different technologies and providing a wealth of resources for business. It is often used for placing and tracking orders.

Internet interactions between sellers and buyers can vary widely, depending on industries, products, and services. For instance, a B2C company such as Dell sells computers to end users through its website. A B2B business such as Nabisco may be linked electronically via the internet with the inventory management systems of the markets to which they sell their products.

## Electronic Data Interchange (EDI)

EDI involves the direct exchange of information between computers. In many companies, EDI has replaced faxing and mailing of paper documents; it has been employed to improve efficiencies in every imaginable industry. Many companies also require their suppliers to use EDIs. Examples of EDI transactions include:

- A buying company transmits order specifications (e.g., product numbers, quantities, and desired receipt dates) to a selling company
- A selling company transmits order invoice information (e.g., cost and payment terms) to a buying company

## Barcoding

**Barcodes** present information in visual patterns machines can read. Barcode scanners read a pattern of black and white bars that represent a set of characters. This pattern is then turned into lines of text computers can understand. Many companies use barcodes in stores, at checkout counters, and throughout their supply chains. Barcodes are used in virtually all areas throughout the supply chain, such as vehicle manufacturing, document tracking, time control, and security access.

## Point of Sale (POS) Technology

POS technology, or checkout, is where sales transactions are completed and where customers make payments and take receipt of purchases. Retailers use weigh scales, scanners, and electronic and manual cash registers in conjunction with this technology. For example, grocery stores use scales at the POS to weigh produce.

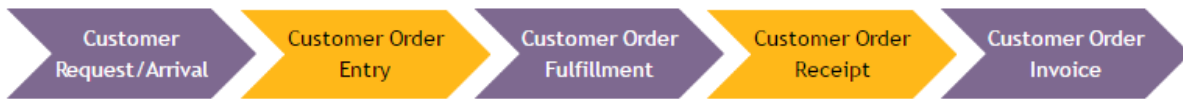
Information provided at the POS stage is then translated into prices for products, appears on a screen at the register, and is included in and printed out on receipts. Modern POS technologies are often used to update inventory usage as goods are purchased; this information is relayed to other parts of organizations, including warehouses and supplier contacts.



## Unit 2: Customer Orders

The customer order process begins when customers interact with businesses such as a retailer, wholesaler, or provider of materials and includes work directly involved in receiving and fulfilling customers' orders. Normally, customers begin this cycle, which is focused on fulfilling customer demand. The key steps involved in the customer order process are outlined next and explained in the subsequent paragraphs:

- Customer request/arrival
- Customer order entry
- Customer order fulfillment
- Customer order receipt
- Customer order invoice



### Customer Request/Arrival

The order management process begins with customers arriving at a purchase location or otherwise requesting information from potential suppliers. These enquiries might involve pricing, product specifications, availability, or delivery timelines (e.g., a customer either enters an electronics store, calls the electronics company to inquire about an item, or uses the Internet to order an item online).

Business to Consumer (B2C)	Business to Business (B2B)
<p>In the B2C supply chain, the starting point in the supply chain process is the customer's physical arrival. Here, customer service focuses on providing customers with a wide selection of appropriate products to help drive a sale. Using the electronics store example, this request/arrival step may involve working with the customer by looking at various items and providing product-related advice. Similar tasks would be required for customers requesting information over the phone or via a website (e.g., answering questions about specific products, including search options to look for certain products, and company information).</p>	<p>In the B2B supply chain, however, the order process may begin in a number of other ways:</p> <ul style="list-style-type: none"> <li>• A sales representative may visit or call customers to discuss their needs</li> <li>• A customer may access suppliers' websites or catalogs to learn about their products. For key customers, suppliers may tailor their websites and create a portal with information tailored specifically to those customers, thus optimizing their ordering experiences</li> <li>• A customer may attend a showroom or distribution center and place an order</li> </ul>

Whether companies are involved in B2C or B2B supply chains, the main objective of the customer request/arrival process is to ensure customers are treated with courtesy and assisted in an efficient manner. In the long run, this ensures a good customer experience before the sale and may lead to a customer placing an order.







Figure 13. Customer arrival. Developed by LINCS in Supply Chain Management Consortium.

## Customer Order Entry

Customer order entries involve customers informing retailers and suppliers of goods about the products they wish to purchase. At an electronics store, customers might place items they wish to buy into shopping carts and take them to a counter to check out their choices. On websites and with firms that mail their orders, order entries may be mailed to the suppliers or may be placed in virtual shopping carts. The main aim of the order entry process is to ensure the order is accurate, carried out in a timely fashion, and communicated throughout the supply chain (Chopra & Meindl, 2004).



Figure 14. Order entry. Developed by LINCS in Supply Chain Management Consortium.

## Customer Order Fulfillment

Customer order fulfillment includes the steps in ensuring customers receive

- ✓ the correct products
- ✓ in the right quantities
- ✓ at the scheduled time and
- ✓ at an appropriate level of quality.

Failure to meet any of these criteria will result in an order that is less than perfect. This process includes entering orders, filling orders, invoicing, shipping, tracking, handling returns, and providing



after-sale services, each of which has its own sets of steps and outputs. The ultimate objective of order fulfillment is completing orders while satisfying promised delivery dates at the right quantities and conditions, all while managing total costs.



Figure 15. Order fulfillment. Developed by LINC3 in Supply Chain Management Consortium.

## Customer Order Receipt

This element of the process involves customers receiving and accepting orders. During this process, customers check the quantity and quality of delivered products; if they have incomplete or damaged orders, the details are recorded and suppliers are notified. If this occurs, customers may withhold payment until deficiencies are corrected. Customers may also require a corrective action report from the supplier to indicate the deficiencies that occurred and the corrective actions taken. Customers then record that they received their correct orders in the correct quantities.



Figure 16. Order receipt. Developed by LINC3 in Supply Chain Management Consortium.

## Customer Order Invoices

When customers place orders, they receive an invoice. At checkout counters, for example, invoices are often presented as paper or electronic invoices at checkout. When orders are shipped to customers, paper invoices normally accompany the goods. Invoices state the amount owed and payment terms, such as the number of days customers have to pay the invoice, any agreed-upon reductions in costs for paying early, penalties for late payment, and form of payment required (e.g., writing a check or transferring funds into a corporate

SHOP			
Article	Count	Amount	Tax
T-Shirt XL	1	\$14,95	20%
Jeans PDK	2	\$39,90	20%
GROSS		\$75,80	
TAX		\$18,95	
SUM		\$94,75	



banking account). When invoices are received by customers, they are checked against the stipulated terms and conditions. If satisfactory, the invoices are paid.

In a B2B environment, companies use **purchasing cards**, also known as **PCards**, which are company charge cards that allow goods and services to be purchased without using traditional purchasing processes and eliminating the need to issue invoices for payment. Companies typically use PCards to purchase goods and services with low product values. Software is available for these types of programs to eliminate the need for invoices by providing electronic statements as needed.

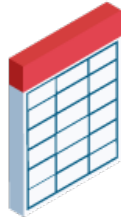


Figure 17. Order invoices. Developed by LINCS in Supply Chain Management Consortium.

## Unit 3: Order Tracking and Monitoring

When orders are placed, it is the responsibility of the company that received the orders to ensure they are filled on time and in full, with no quality defects (see *Figure 18*). The following steps are typically carried out when fulfilling, tracking, and monitoring customer orders:

1. Orders are initiated by customers
2. Orders are validated for correctness
3. Customer service enters the order in the system
4. Inventory management assesses availability of sufficient quantities
5. Picking slips are initiated
6. Warehousing operations picks the required inventory
7. Quality checks are performed to ensure there is no damage
8. Orders are packed in appropriate packing materials
9. Labels are printed and attached to boxes
10. Boxes are organized in a staging area for transportation
11. Orders are transported
12. The transportation system is updated and customer service is notified
13. Customer service provides shipping data and status to customers
14. Feedback is requested from customers about their order satisfaction



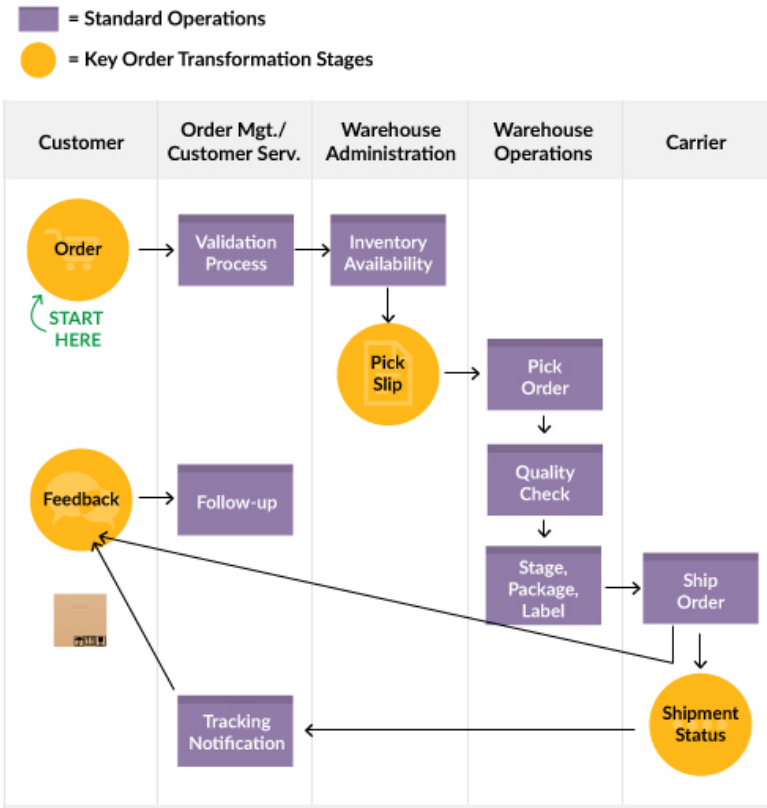


Figure 18. Order tracking and monitoring. Developed by LINCS in Supply Chain Management Consortium.

## Basic Responsibilities of Customer Service Representatives

The previous steps represent the order flow that runs through companies from customers placing their orders to customers receiving their orders and providing feedback. Customer service representatives are responsible for order tracking and management to ensure all the steps are carried out in a timely manner and customers receive their products in full, on time, and with no damage. If issues arise, then customer service representatives are responsible for following up with customers to resolve these issues. This may involve companies returning orders, refunding customer fees, or replacing shipments to customers and expediting shipments of delayed items to customers (see Learning Block 4 to learn more about handling customer returns and reverse logistics).



Figure 19. Customer representative. By Holidayextras [CC-BY 2.0]. Acquired from Flickr.com.



## Unit 4: Order Process Improvements and Metrics

Companies that excel at customer order fulfillment minimize activities that are wasteful and add little or no value by redesigning their processes. As an example, a small cable and wiring company located in the eastern United States (U.S.) started to see its customers migrating toward new foreign competitors. The threats of new worldwide competitors and customers who began demanding lower prices caused this company to consider how best to respond. Instead of moving its production to China (the immediate reaction of many U.S. companies), this company decided that providing customers with volume flexibility, a high-quality product, and shorter **order fulfillment lead times** offered the best opportunity to challenge new competitors.



Figure 20. Strategy and execution. Developed by LINCS in Supply Chain Management Consortium.

Redesigning its order fulfillment process allowed this cable and wiring company to reduce its customer order lead time from 20 days to 12 days—a 40% reduction. Customers responded positively because shorter lead times allowed them to narrow their planning horizons, which helps reduce supply chain uncertainty. In the end, the company's redesign eliminated waste and minimized activities that did not add value, resulting in costs being lowered across the supply chain instead of being shifted from one part of it to another.



Figure 21. Information technology. Developed by LINCS in Supply Chain Management

### Information Systems and Order Fulfillment

Leading companies rely extensively on electronic systems to support their fulfillment efforts. Companies that excel in order fulfillment understand the importance of **inventory control**. An important part of inventory control is record integrity, which is the output of processes and procedures that ensure that the amount of material on hand equals the amount of material recorded in a company's computer systems.

### Order Fulfillment Performance Metrics

A number of fulfillment-related metrics are used to determine how well companies are able to meet the criteria of a perfect order: orders that are delivered to the right place, at the right time, in the right condition, in the right package, in the right quantity, with the right documentation, and with the right invoice. Indicators which provide guidance on achieving the perfect order and on the fulfillment process include **order fill rate**, order cycle time, on-time delivery, **inventory accuracy indicators**, and **order-to-cash cycle time**. Fulfillment leaders have a set of KPIs focus directly on how well they meet customer order expectations.

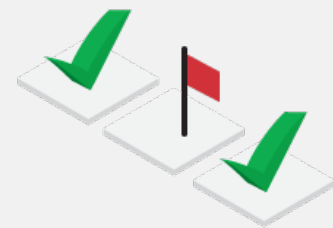


Figure 22. Indicators. Developed by LINCS in Supply Chain Management Consortium.



## Examples of Key Metrics

All companies want to perform well when handling customers. To ensure they are being both efficient and effective when dealing with their customers, most companies have specific performance metrics to gauge success in achieving customer satisfaction. Metrics should focus on customer needs and expectations.

For example, customers are not typically concerned about when orders are shipped from warehouses, but are much more interested in their orders arriving on time at the correct location. Therefore, measuring when orders are shipped may not be an effective metric; instead, knowing when and where customers receive their orders may be a better unit of measurement.

All companies should track the following key metrics:

- **Order-picking errors:** Occur when order pickers pick the wrong items or incorrect quantities
- **Product shipping errors:** Occur when incorrect items or incorrect quantities are shipped
- **Standard or planned order cycle time:** Total time that should be taken from when orders are received by suppliers until orders are shipped to customers
- **Average time to complete an order:** The average time that it takes for an order to be completed from the time it is received until the time it is shipped
- **Number of orders returned:** The number of orders that are returned for any reason (a subset of this measure would be the number of orders returned for specific reasons, including incorrect items delivered, incorrect quantities delivered, damaged items, incorrect items ordered, etc.)
- **Order costs:** The costs of taking orders, providing customer service, storing and maintaining inventory, and shipping and tracking products to ensure delivery

## Unit 5: Best Practices in Order Management

When orders are submitted to companies, it is important they are filled, shipped, and received in a timely manner, with the correct products, in the correct quantities, and without any damage. To the greatest degree possible, automation should be used in filling orders to help make the process move quickly and efficiently. An optimized OMS can help reduce costs and improve customer satisfaction. The following are good order management practices:

<b>Communication with customers</b>	When orders arrive, they should be actioned so that they are fulfilled—normally at a warehouse—as quickly as possible. An OMS can be used to facilitate this process so that order fulfillment takes place in the quickest possible time. It is good practice to communicate regularly about the status of orders with customers
<b>Consolidation of orders</b>	Customers may buy products from various locations and at different points within a short period of time (e.g., through both websites and call centers). Having a system in place to consolidate these orders is important



<b>Inventory Management</b>	When orders are placed, order entry systems should ideally update companies' inventory records. Linking helps prevent having to backorder items or process refunds when items ordered are not in stock; therefore, an OMS should also link seamlessly to real-time inventory information
<b>Automation of the process</b>	Wherever possible, the order process should be automated. Automation helps reduce the manual effort involved in the order process and reduces errors that often occur when entering order information manually. Having an effective OMS in place should also help to speed up the overall order and fulfillment process

## Learning Block 3 Summary

The customer order process begins when customers interact with suppliers like retailers, wholesalers, or providers of materials and includes work directly involved in fulfilling customer orders. When orders have been placed, companies must ensure they are filled on time and in full with no quality defects. To ensure efficiency and effectiveness for their customers, most companies have specific performance metrics to gauge their success in achieving these objectives. The customer experience of how issues are resolved will impact whether they continue to do business with a company.



Figure 9. Customer service. Developed by LINGS in Supply Chain Management Consortium.

Software tools like CRM can be used to help manage customer relationships and all aspects of interaction between companies and their customers. A number of technologies also facilitate and support the order process, including phone, fax, mail, Internet, EDI, barcoding, POS technology, and an OMS. Overall, several good practices can be used within the order process, including communicating with customers, consolidating orders, managing inventory, and automating the order process to the fullest extent possible.

## Learning Block 3 Optional Supplemental Resource

The optional supplemental resource listed below may be used to reinforce the content covered within this learning block.

Fawcett, S. E., & Fawcett, A. M. (2013). *The definitive guide to order fulfillment and customer service: Principles and strategies for planning, organizing, and managing fulfillment and service operations*. Upper Saddle River, NJ: Pearson Education.



## Learning Block 3 Practice Questions

1. All of the following activities are part of the customer order fulfillment process except:
  - a. Order entry
  - b. Shipping
  - c. Forecasting
  - d. Returns
2. Which of the following is the starting point of the customer order process?
  - a. Customer order entry
  - b. Customer request/arrival
  - c. Customer invoicing
  - d. Customer order receiving
3. Which of the following defines successful customer order fulfillment?
  - a. Orders are filled and sent to suppliers on time, in the correct quantities, with no damage, and within the specified delivery timeframe
  - b. Orders are filled and sent to the order fulfillment center on time, in the correct quantities, with no damage, and within the specified delivery timeframe
  - c. Orders are filled and sent to transportation on time, in the correct quantities, with no damage, and within the specified delivery timeframe
  - d. Orders are filled and sent to customers on time, in the correct quantities, with no damage, and within the specified delivery timeframe
4. Which document states how much a customer owes, including any stipulated reductions in costs for paying early?
  - a. Invoice
  - b. Receipt
  - c. Bill of lading
  - d. Material release
5. Which of the following best describes the importance of implementing metrics?
  - a. All QA programs require metrics
  - b. Provides a way for a company to gauge customer satisfaction
  - c. It is the only method to access order accuracy
  - d. They support the use of computer resources
6. An order management system (OMS) typically provides information about each of the following except:
  - a. Product specifications
  - b. Inventory availability
  - c. Information about invoicing and payments
  - d. Information about customer returns and refunds





7. Which of the following best describes customer relationship management (CRM)?
- a. CRM is best used to identify customer leads
  - b. CRM is essential when working with suppliers
  - c. CRM includes all the interactions between companies and their customers
  - d. CRM refers to software that helps manage customers
8. Which of the following is a key concept that should be understood when developing a CRM strategy?
- a. Only suppliers can benefit from the relationship
  - b. Only customers can benefit from the relationship
  - c. Suppliers and customers can benefit from the relationship
  - d. Only investors in companies can benefit from the relationship
9. What technology features the direct exchange of information between computers?
- a. Internet
  - b. Electronic data interchange (EDI)
  - c. Fax machines
  - d. ERP system
10. What is the primary benefit of implementing point of sale (POS) technology?
- a. It reads barcodes
  - b. It simplifies the checkout process
  - c. It is used to update inventory usage as goods are purchased, and to relay this information to other parts of organizations, including warehouses and suppliers
  - d. It is used to impress customers with the latest technology





# Learning Block 4: Returns and Reverse Logistics

## Learning Block 4 Description

This learning block provides an overview of processes, procedures, and steps involved in managing customer returns. It also includes examples of employee responsibilities at different points in the **customer return process** and provides examples of metrics used in customer returns and reverse logistics.

## Learning Block 4 Learning Objectives

Upon completing this learning block, the learner will be able to:

- Understand the key aspects of and employee responsibilities in the customer returns process
- Recognize what encompasses reverse logistics, why reverse logistics are important, why reverse logistics are needed, and which key metrics are used in customer returns
- Apply the key metrics used in customer returns functions
- Create good key practices for the customer returns process

## Unit 1: Understanding Reverse Flows in the Supply Chain

Reverse logistics is the return of products by customers back through the supply chain. If products are not required by customers who received them or if products are defective, customers may return them in a reverse logistics flow. **Reverse flows** and customer returns have been included in logistics and supply chains for many years. Today, most companies employ a policy of allowing returns if customers are dissatisfied with their purchases and would like to receive a credit or exchange them for different items.

### Forward Flow versus Reverse Flow

Historically, the forward flow of goods in the supply chain is more familiar because it is important in terms of filling customer orders and generating revenues. The reverse flow, or product return process, is viewed less favorably because it can result in negative cash flow and inventory restocking. However, most firms view reverse flows of goods as a potential area to display good customer service and ensure customer retention.



Returns management, or reverse logistics, is a trend that is becoming a critical area on which companies are focused to reduce costs by making the process of returns management more efficient and effective. Returns reduce net revenues and increase inventory costs, packaging costs, customer service costs, and processing costs. Defective products delivered to customers may negatively impact retailers' reputations, which could cause a decline in future sales. When sourcing globally, reverse logistics takes on an even more significant role in the economics of the supply chain because of increased distance, time, and transportation cost.



Figure 23. Return to sender. Developed by LINC'S in Supply Chain Management Consortium.

## Contributing Factor

One of the contributing factors for the focus on reverse logistics has resulted from the increase in the quantity of returns. This increase is at least in part due to the ease and popularity of Internet sales. Many modern companies have adopted the policy of allowing returns if customers are dissatisfied with their purchases and are increasingly viewing reverse flows as a value stream.

## Reasons for Returns

Generally, the flow of returned product includes items for repair, refurbishment, resale, or in extreme cases, disposal. Customers and businesses may decide to return goods back through the supply chain for a number of reasons including:

- Failed, defective, or damaged products
- Unwanted products
- Obsolete products, or those that are expired or near the end of their shelf life
- Products recalled due to quality or safety defects
- Apparel merchandise purchased online that does not fit



Figure 24. Damaged product. Developed by LINC'S in Supply Chain Management Consortium.

Handling these different types of customer returns can positively or negatively impact the customer experience; therefore, it is crucial returns are handled as efficiently as possible. For example, to create a positive experience many large retailers have made processing returns promptly a key part of their customer service strategy to retain customers.

## Unit 2: The Customer Return Process

The customer returns process can include repairing products and then returning them to customers, placing the material back into stock, or refurbishing items for resale. The returns process is an important part of the many functions that typically occur in warehouses.



## Customer Return Options

When customers receive items from companies, they may decide to return them because they are not satisfied with the products or because they wish to use different products for their own reasons. If this process is difficult or time-consuming, it may result in losing future business from frustrated customers.

The returns process can be made easier for customers, however, via return labels for customers to include with any items they are shipping for return purposes. Some firms make this label available electronically when customers ask to return their purchases. Amazon, for instance, provides an electronic shipping label that is printed out and attached to the products being returned.

Having return labels helps speed up the returns process and helps make it easier for customers. Typically, return labels include customer order information that is embedded in a barcode, which is used to inform customers when the products are received back in the warehouse. Receiving products in the warehouse could also trigger replacements to be manufactured or picked or credits to be processed.

**Return material authorization (RMA)** forms can also be used by companies in the returns process. These forms are used to authorize product replacements or refunds. To use such a form, customers contact the company that provided the products, receive authorization to return the product, and are given an RMA number. This number is then included in the packaging of the returned products and is used to authorize refunds from product providers. Many firms have automated this process by electronically providing a packing slip with an RMA number that can be printed off to be included with any products that are returned.

## Warehouse Operations

In warehouses, organizing the returns process can help speed up the flow and disposition of returned goods. For example, having a location in warehouses specifically for returns processing can help to ensure a more efficient returns process because only returned items will be placed in this area for further processing.

## Refund, Restock, Refurbish

When items are returned, they are inspected to determine their quality and condition. If they are covered by a return policy and are found to be sub-standard, then replacements or refunds are issued to customers. If items can be repaired, they could be resold as “like new” or refurbished, possibly with a manufacturer’s warranty.

In some cases, the repair operations might take place in a warehouse, depending on the nature of the repair. In other

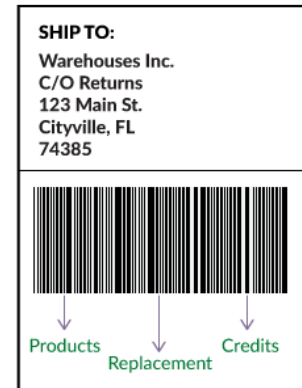


Figure 25. Return label. Developed by LINC'S in Supply Chain Management Consortium.



Figure 26. Refund, restock, refurbish. Developed by LINC'S in Supply Chain Management Consortium.



cases, simple cosmetic imperfections can be repaired and the items can be sold at prices lower than new versions of the same item in order to generate revenue.



For example...



A **third-party logistics provider (3PL)** refurbishes cell phones. The company inspects returned cell phones to determine if they should be scrapped or refurbished. If inspection indicates that refurbishing is possible, then the company will refurbish the phone and then sell it at a lower price.

## Recycling

Different countries have different rules and regulations about how logistics and reverse logistics impact the environment. This, in turn, has specific implications about the disposal of items and packaging in the reverse logistics flow and how these items affect the environment. For example, batteries contain toxic elements that can negatively impact the environment if they are simply thrown into the regular waste management system after use. As a result, many firms offer recycling programs for these types of toxic items.

## Returns Management Systems

Returns can be a complex process because of how they impact physical inventory, electronic inventory, and accounting systems. Returned items need to be examined and decisions need to be made regarding returning products as they are to storage, repairing products and returning them either to storage or back to customers, or scrapping products. Items must also be identified, assigned to a customer or an account, assigned a disposition, and physically sorted for processing.

Specialized **returns management systems**, whether part of a warehouse management system or operating as a standalone system, can support the returns process to make this process more efficient. These systems and associated technology include:



### Handheld scanners

As radio frequency equipment has proven to be useful in the warehouse environment, this technology is especially useful in the returns process.



Figure 27. Handheld scanner. Developed by LINCS in Supply Chain Management Consortium.

### Interface with warehouse management systems

Returns processing should be integrated into an existing warehouse management system. This allows for real-time inventory control, immediate inventory allocation, rapid picking from the returns area, and cross-docking to a shipping dock.



Figure 28. Warehouse. Developed by LINCS in Supply Chain Management Consortium.

### Interface with accounting systems

Any data collected about returned merchandise should be made available to accounting systems to serve as the basis for credit processing. This technology can be used to ensure credits are issued only after merchandise is inspected. It also reduces opportunities for crediting errors, which can happen more easily in manual systems.



Figure 29. Accounting for returns. Developed by LINCS in Supply Chain Management Consortium.

## Stages in the Customer Returns Process

Within a distribution center, the various stages in the customer returns process include:

### Stage 1



Figure 30. Return material authorization. Developed by LINCS in Supply Chain Management Consortium.

**Return Authorization:** Customers obtain an RMA from customer service that approves the return and provides shipping and return instructions



## Stage 2



Figure 31. Receipt of goods.  
Developed by LINCS in Supply Chain Management Consortium.

**Receipt:** Products are returned by customers and received by warehouses

## Stage 3



Figure 32. Sorting and staging.  
Developed by LINCS in Supply Chain Management Consortium.

**Sort and Stage:** Products are sorted according to the nature of returns and are staged for returns processing

## Stage 4



Figure 33. Processing and analysis.  
Developed by LINCS in Supply Chain Management Consortium.

**Processing and Analysis:** Information is entered into companies' data systems regarding the reason(s) for the returns and the nature of the items; customers are also credited for their returns at this stage

## Stage 5



Figure 34. Disposition activities.  
Developed by LINCS in Supply Chain Management Consortium.

**Disposition Activities:** Decisions are made about what to do with returned items, which can be scrapped, repaired and returned, or replaced into inventory

## After-Sale Warranty Process

An integral part of the returns process is managing the **after-sale warranty process**. This process includes inspecting, sorting, handling disposition, and managing the enforcement of the warranty



program for returned products. Sometimes companies use 3PLs to perform some or all of these procedures. A 3PL typically provides a range of services, including warehousing, transportation, and other logistics-related services. Firms may decide to outsource their logistics activities to these 3PLs to allow them to concentrate on their core competencies, reduce costs, and leverage the logistics-related assets and information technology of 3PLs.

## Unit 3: Industry Differences and Best Practices

Many firms have reverse logistics processes, but they tend to differ based on the types of industries in which these firms operate. Additionally, learning from experience and making improvements allow firms to have several established good practices in reverse logistics.

### Industry Differences in Reverse Logistics



For example...



Figure 35. Fashion industry. Developed by LINCS in Supply Chain Management Consortium.

Differences exist among industries in a number areas, including the nature of returns and the types of products returned. For example, in the retail fashion industry, returns are common and often relate to ill-fitting sizes or customers simply changing their minds. In this industry, products can often be placed directly back into stock for resale.

In the pharmaceuticals industry, however, strict rules and regulations apply for batch lot control. Additionally, products' ages and expiration dates govern the use of many products, particularly in the food industry. In these cases, returns will often be scrapped or disposed of in a controlled manner. Regardless of the nature of returns and the products involved, effective management of customer returns is a vital part of companies' commitment to ongoing excellence in customer service.



Figure 36. Pharmaceutical industry. Developed by LINCS in Supply Chain Management Consortium.

### Best Practices in Reverse Logistics

A **best practice** is a way of doing things that, through experience and research, has been shown to lead to a highly desired result. A best practice can mean that not only is something the best way to complete a task but also that this will always be the case; it also describes the best way to do something at a given point in time. As time goes by and best practices evolve, they are known as good practices at very detailed levels. Best practices are the focus to achieve ultimate goals, while good practices should be emphasized and used every day.

The following are recognized as best practices in customer returns:

- **Reduction of cycle lead times:** Analyzing existing processes to improve them and to reduce





- time and resources expended in the customer returns process
- **Information systems and technology:** Developing and maintaining effective information systems and technology to support customer returns
- **Organization for returns:** Ensuring that proper returns processes are in place to facilitate the rapid flow of goods and returns
- **Layout:** Ensuring the returns process is considered in the layout and design of a warehouse or distribution center
- **Asset recovery:** Promptly disposing of returned items to improve asset utilization
- **Efficient returns processes and procedures:** Maintaining efficient returns processes after product return classification

## Unit 4: Key Metrics Used to Assess the Returns Process

To help ensure returns functions are carried out proficiently and correctly, key measures must be in place. Many key metrics can assess the effectiveness and efficiency of the returns process, including:

- ✓ Length of time to process returned products
- ✓ Volume and value of products reclaimed and resold
- ✓ Percentage of material recycled
- ✓ Waste produced in the returns process, whether wasted time, wasted effort, or wasted materials
- ✓ Percentage of costs recovered
- ✓ Handling cost per return or item

### For example...

A major manufacturer of computers looked for an outside company to manage its reverse logistics program and identified a 3PL. The 3PL developed a specific program for the computer manufacturer in which freight is dispatched to an authorized carrier and picked up within one business day. Returns are then routed to a cross-dock where shipments are verified and returned to their destination before being returned to the customers themselves. This whole process is completed within specified metrics, such as time allotted to pick up the goods and time allocated to returning goods to customers.



*Figure 37. Monitor.  
Developed by LINCS in  
Supply Chain Management  
Consortium.*

## Learning Block 4 Summary

Reverse logistics refers to the return of products in the supply chain. If products are not required by customers who received them or products are defective, customers can return the products in a reverse flow of logistics. This process could include shipping, testing, repairing, recycling, or disposing of products. A number of keys ensure the productive flow of returned goods into distribution facilities.



The general flow of returned product includes returning to inventory for resale, repairing and refurbishing for return to customers, or disposing of products.

Customer returns and the way they are handled can positively or negatively impact customer service levels, and it is important returns are handled in the most efficient and effective way possible. When customers receive items from companies, they may decide to return them because they are not happy with the products or because they wish to change the products for other reasons; however, if this is difficult or time-consuming, it may result in losing future business from frustrated customers. Many warehouses have not been properly organized to deal with the return of goods, so organizing the returns process can help speed up the flow and disposition of returned goods. Specialized returns systems can support the returns process and help streamline this process.

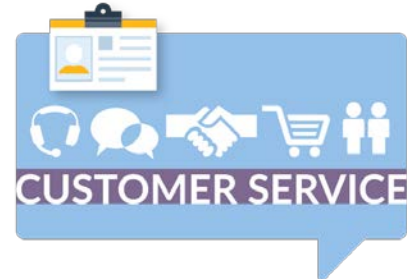


Figure 9. Customer service. Developed by LINCIS in Supply Chain Management Consortium.

Differences exist among industries in a number of areas, including the nature of returns and the types of products returned. There are a number of good practices in customer returns, including avoidance of returns, reduction of cycle lead times, and efficient returns processes and procedures. Key metrics for the returns function include length of time to process returned products, volume and value of products reclaimed and resold, percentage of material recycled, waste of various kinds, percentage of cost recovered, and handling costs per return or item.

## Learning Block 4 Optional Supplemental Resource

The optional supplemental resource listed below may be used to reinforce the content covered within this learning block.

Coyle, J. J., Novak, R. A., Gibson, B., & Bardi, E. J. (2011). *Transportation: A supply chain perspective*. Mason, OH: South-Western Cengage Learning.

## Learning Block 4 Practice Questions

1. What statement best describes reverse logistics?
  - a. Reverse logistics is a not a part of supply chain management
  - b. Reverse logistics applies mainly to manufacturing firms
  - c. Reverse logistics involves operations related to the reuse or disposition of products and materials
  - d. Reverse logistics has historically been viewed as a value-added activity within the supply chain



2. All of the following are generally part of the reverse logistics process except:
  - a. Testing
  - b. Disposing
  - c. Refurbishing
  - d. Manufacturing
  
3. Which of the following is not a reason for product returns?
  - a. Sales promotion
  - b. Unwanted or no longer desired
  - c. Obsolete
  - d. Failed, defective, or damaged
  
4. When an item is shipped back by a customer, an important first step in the returns process is the creation of a(n):
  - a. Packing slip
  - b. Return label
  - c. Invoice
  - d. Bill of lading
  
5. What are the stages in the customer returns process?
  - a. Transportation, receipt, sort and stage, and disposition
  - b. Receipt, sort and stage, processing and analysis, and scrap
  - c. Receipt, sort and stage, processing and analysis
  - d. Return authorization, receipt, sort and stage, processing and analysis, and disposition
  
6. Each of the following represents best practices in customer returns except:
  - a. Avoidance of returns
  - b. Asset recovery procedures
  - c. Proper organization for returns
  - d. No separate area for returns in the warehouse
  
7. Why are there differences among industries regarding the nature and types of returns allowed?
  - a. Most industries are concerned about international competition
  - b. Some industries have products that are more tightly controlled for consumer safety
  - c. Reverse logistics processes are not fully developed
  - d. Companies are primarily concerned with sales, not returns
  
8. Which of the following is a key metric related to the returns function?
  - a. Percentage of material lost
  - b. Return on negative assets
  - c. Amount of products scrapped
  - d. Length of time to process returned products



9. Why is the reverse flow, or product return process, viewed less favorably than the forward or initial sales flow?
- a. It results in negative cash flow and inventory restocking
  - b. More resources are required
  - c. Warehouses are not properly equipped to process returns
  - d. Inventory systems do not easily accommodate returned inventory
10. Which of the following best describes the returns process for a company like Apple?
- a. Apple products are in such high demand that Apple has little need for returns processing
  - b. The value of the products is low enough that Apple scraps the returns
  - c. The quick and efficient processing of returns is critical to ensuring customer satisfaction
  - d. Processing returns effectively and efficiently is not important to Apple





# Learning Block 5: Jobs and Legal Concerns in Customer Service

## Learning Block 5 Description

This learning block provides both an overview of jobs in customer service and an outline of the legal and regulatory concerns in the supply chain process. It also describes legal and regulatory terms and common laws before laying out the responsibilities of stakeholders and the consequences of unlawful actions.

## Learning Block 5 Learning Objectives

Upon completing this learning block, the learner will be able to:

- Recognize job positions in customer service
- Explain employees' roles in identifying, recording, and reporting issues and concerns associated with potential violations in the supply chain, including violations by employees, management, vendors, or customers
- Implement key aspects of work-related rules, government regulations, and corporate policies
- Apply common laws in customer service operations

## Unit 1: Customer Service Responsibilities and Job Types

According to many regulatory regimes and organizational policies, customer service involves working with customers and meeting their needs by providing professional, high-quality service. Here are examples of the tasks customer service representatives typically provide.

### Sales

Customer service representatives' tasks might well include selling products or services. In these cases, the sales and customer service departments can work together. In some cases, customer service representatives provide information to assist customers in deciding which products and services to purchase. Customer service representatives may also be tasked with obtaining and passing on sales leads. Finally customer service representatives might be responsible for suggesting upgrades to current products or new products they believe will meet customers' needs.



Figure 38. Sales. Developed by LINC'S in Supply Chain Management Consortium.



## Clerical Tasks

Customer service representatives' tasks could also involve clerical work, such as making notes about customer service issues and recording transactions. Other tasks could include processing client information about new or current customer accounts and taking phone calls to handle customer accounts and questions.



Figure 39. Clerical tasks. Developed by LINCS in Supply Chain Management Consortium.

## Job-Related Responsibilities

Duties and responsibilities of customer service representatives can vary widely, depending on the type of industry and nature of the work being conducted. For example, customer service representatives who work in retail stores may be responsible for dealing with customer complaints, handling cash, processing orders, and similar tasks. Customer service representatives who work in telemarketing may also help to ensure that customers place orders through the Internet, if that is feasible; they also answer questions and help customers over the phone and online.



Figure 40. Job-related responsibilities. Developed by LINCS in Supply Chain Management Consortium.

## Jobs in Customer Service

Advising and helping people and interfacing with other supply chain functions are major parts of the customer service profession. These tasks can take place in person, online, or over the phone.

Customer service jobs in a supply chain stand out from many other supply chain positions in that they are critically linked to every function in the chain. The interaction with and information gathered from customers is invaluable for creating an environment of continuous improvement that can result in a distinct competitive advantage. Customer service positions can also have a direct result on company revenues, profits, and cash flows, as these positions can strongly influence customer orders and repeat business. The typical roles of customer service are discussed next.

### Customer Service Assistants and Representatives

**Customer service assistants** are entry-level positions typically responsible for answering basic customer questions and helping customers find products or services; they usually report to **customer service representatives** or **customer service managers**. Customer service representatives are the next step up in organizations and are responsible for working with, answering queries from, and selling to customers and other businesses, if applicable; representatives typically report to **customer service supervisors**. Additionally, in a B2B environment, customer service personnel may be responsible for translating forecast data into supplier-managed inventory planning and responding to large-scale requests for quotations and requests for pricing.



<p><b>Customer Service Supervisors</b></p>	<p>Customer service supervisors are responsible for delegating work, instructing customer service team members, resolving more complex customer issues, and performing similar tasks. Customer service supervisors typically report to customer service managers.</p>
<p><b>Customer Service Managers</b></p>	<p>Customer service managers are typically responsible for hiring staff, monitoring team performance, training and developing staff, mentoring and coaching staff, and accomplishing similar tasks. Customer service managers typically report to executives like directors and vice presidents in operational departments such as customer service, customer care, or sales.</p>

### Additional Customer Service-Related Roles

The roles described are the typical and traditional roles that have been used over the years to address customer needs; however, a number of new roles and organizational structures are emerging to align companies more closely with the growing recognition of the importance of customer-facing operations. Examples of these include customer care agents, case managers, service delivery departments, etc.

A number of sales roles also often include a strong customer service component. For example, a manufacturer’s representative may be tasked not only with selling a portfolio of products to customers but also with placing orders, expediting order fulfillment throughout an organization, and following up on customer inquiries and complaints. In many companies there are roles focused on specific elements of the order management process, such as order management clerks, order management associates, order entry clerks, etc.

## Unit 2: Laws, Rules, and Policies

Every organization, firm, and business is governed by rules and regulations set by local, state, and federal governments. In addition, companies often have their own organizational policies. Employers and employees are responsible for knowing laws, regulations, and policies to ensure best practices are followed. When these rules are ignored, serious consequences can affect employers, employees, and even customers. These potential impacts require individuals involved in supply chain management to be aware of organizational policies and the relevant legal and regulatory concerns.

The core reason certain laws, rules, and company policies must be known is that they directly affect employees, customers, and third parties throughout the supply chain. These are typically written policy or procedure documents that cover the following areas:

- General employee information
- Company expectations
- Employees’ rights
- Safety and security policies
- Personal conduct expectations



Figure 41. Scale of justice. Developed by LINC in Supply Chain Management Consortium.



All individuals are responsible for being aware of these policies and legal issues, and they must work to enforce them. Additionally, every individual is responsible for spotting, recording, and reporting legal and regulatory concerns about employees, employers, suppliers, and customers.

## Legal Responsibility

All firms and their employees are obliged to comply with the laws established for their environment. For example, a firm that manufactures medical devices has different legal responsibilities than a firm that manufactures computer games. Companies have some common legal responsibilities and are bound by these responsibilities; therefore, to operate soundly, companies must familiarize themselves with external factors that govern their industry and the laws that apply to them (Doucet, 2009).

It is important to note that laws, and regulations that have the power of the law, are generated by several levels of government, lawmaking bodies and regulatory agencies. Lawmaking bodies include city councils, township boards, county commissions, state legislators, federal legislators, and similar authorities. Lawmaking bodies have regulatory agencies that issue additional rules and guidelines that are enforced as law. Given the large number of rulemaking bodies, compliance with these rules can be a complex and challenging task for supply chain professionals at every level. The complexities of managing compliance are further complicated by rules that vary from location to location, even within the same company.

## Unit 3: Trust and Ethics

To establish trust with customers, customer service providers must be calm, communicate thoroughly and honestly with customers, and respond quickly to any situations that arise. If nothing can be done within the customer service provider's ability to correct a given problem, it is best to address the issue as soon as possible with a supervisor or senior management.

It is imperative to keep the highest **ethical standards** when dealing with customers. Ethical standards are the principles that govern the conduct of individuals or groups. Customer service providers must always choose the right and legal approach, even if it is not always the most popular or easiest option.

Companies with good ethics and missions beyond purely making profit have enormous competitive advantages over other companies.

Unethical behavior, however, can greatly damage a company's image and reputation, potentially causing low morale, high employee turnover, and lost customers.



Figure 42. Trust and ethics. Developed by LINCS in Supply Chain Management Consortium.

## Ethical Responsibility

Ethics involves questions about the fairness, justness, rightness, or wrongness of actions. Ethics are the set of moral principles that guide behavior; legal compliance is usually regarded as the minimum acceptable standard for ethical business behavior. Most companies have developed and adhere closely





to a set of ethical behaviors that go well beyond strictly legal requirements, which they expect to see reflected in their employees' behavior.

## Examples of Legal and Ethical Conduct

Examples of legal and ethical conduct include:

<b>Honesty and integrity</b>	<b>Professionalism</b>	<b>Responsible management</b>
High standards of honesty and integrity should be established and maintained in all business relationships, both inside and outside organizations	Companies should strive to maintain high standards of professional competence	This requires using resources to provide maximum benefits to employers
<b>Service in the public interest</b>		<b>Conformity to the law</b>
This type of ethical conduct includes using the authority of offices only for company purposes and benefits and rejecting any improper business practices		Laws for companies and individuals include the laws of various levels of government, companies' rules and regulations, and contractual obligations (Purchasing Management Association of Canada, n.d.)

## Unit 4: Common Laws

In general, policies and laws are set to protect people and ensure efficient functioning of businesses and societies. In all stages of supply chain management, from acquiring raw materials to delivering finished products, legal and regulatory concerns cannot be ignored.

The following are outcomes of obeying common laws:

- ✓ Human rights
- ✓ Food safety
- ✓ Control of hazardous products and materials
- ✓ Environmental protection

In the U.S., the Department of Labor administers and enforces many federal laws that impact the labor force. The mandates and regulations that implement them cover many workplace activities throughout the country (United States Department of Labor, n.d.).

Here is an overview of and additional information about common laws:



<b>Human rights and human rights laws</b>	<p>These laws govern and protect basic rights and freedoms for all people. Human rights have been established by international agreement to protect the interests of people and to prescribe the way countries govern and treat their citizens. Human rights laws have been defined by international conventions, treaties, and organizations, including the United Nations (HG.org, 1995-2015)</p>
<b>Food safety and food safety laws</b>	<p>These laws govern the handling, preparing, and storing of food. In the U.S., a specific set of laws has long governed food safety</p>
<b>Hazardous products and materials laws</b>	<p>These laws govern the production, handling, and storage of hazardous products and materials. They are specific to distinct types of hazardous products and materials, such as flammable materials and toxic chemicals. These laws also clearly identify how these types of products and materials are to be handled both to protect individuals who are directly and indirectly affected by those products and materials and to protect the environment, which can also be affected</p>
<b>Environmental laws</b>	<p>These laws protect the environment. In many countries, there is a high degree of emphasis on protecting the environment, with strict regulations in place. Depending on how the items affect the environment, these regulations may require specific disposal practices and/or careful packaging of goods in the reverse logistics flow</p>

This list offers only a few examples of common laws that govern business conduct. Other examples of laws that govern business conduct include wages and hours, workplace safety and health, workers' compensation, and employee benefits laws.

## Consequences of Not Following Laws and Policies

When laws, rules, and policies are ignored in the supply chain process or anywhere in a business, any or all of the following consequences may occur:

- Individuals—both employees and customers—can get hurt or killed
- Employees can lose their jobs
- Companies can lose profits or be forced out of business
- Societies can be affected with pollution and disease
- Entire economic sectors can be negatively affected
- Companies and employees can be fined and, in extreme cases, possibly jailed



Figure 43. Hammer of justice. Developed by LINCS In Supply Chain Management Consortium.

All companies are responsible for ensuring the laws that govern their conduct are clearly understood and followed by everyone in the company. Employees are also responsible for understanding and complying with the laws and procedures that are in place within their firms.



## Unit 5: Legal and Regulatory Concerns

Individuals engaged in customer service have certain legal and regulatory responsibilities to customers when carrying out their duties. The legal and regulatory concerns with order management and customer service impact the supply chain management process when these expectations are not met.

For example, a customer orders a product for an occasion taking place in two days and pays for a 24-hour delivery service, but a disgruntled employee deliberately sends the product to a different address first; it finally arrives at the correct address two weeks later. This type of situation can have significant consequences on sellers, employees, employers, businesses, and third parties. Therefore, it is important to be aware of the legal and regulatory concerns with order management and customer service to ensure employees conduct themselves professionally and to make sure customers' expectations are fulfilled.

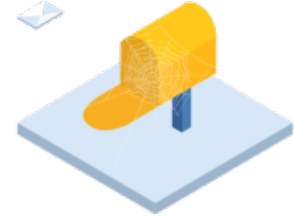


Figure 44. Delayed order. Developed by LINCS in Supply Chain Management Consortium.

### Learning Block 5 Summary

Every organization, firm, and business is governed by rules and regulations set by local, state, and federal governments. Employers and employees are responsible for knowing regulations and applications for best practices. The term legal refers to any action that is permitted or required by a governing body, such as the state or the federal government. It is necessary for individuals involved in supply chain management to be aware of both organizational policies and legal and regulatory concerns. The core reason certain laws, rules, and company policies must be known is that they directly affect employees, customers, and third parties in the supply chain, and often society at large.

By being aware of the legal and regulatory concerns that affect the order management and customer service, employees can ensure they conduct themselves professionally while fulfilling customers' expectations. When laws, rules, and policies are ignored in the supply chain process or elsewhere in a business, severe consequences can arise.

Ethics involve behavioral questions about the fairness, justness, rightness, or wrongness of actions. Business ethics are the set of moral principles that guide behavior, and they are part of the organizational culture. They ensure a level of trust between consumers and business organizations. Many companies implement compliance-based ethics programs to prevent, detect, and punish violations.

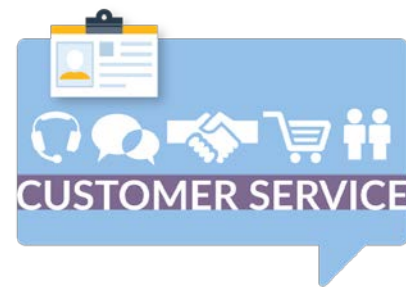


Figure 9. Customer service. Developed by LINCS in Supply Chain Management Consortium.



## Learning Block 5 Optional Supplemental Resources

The optional supplemental resources listed below may be used to reinforce the content covered within this learning block.

Futrell, C. M. (2013). *Fundamentals of selling: Customers for life through service* (13th ed.). New York, NY: McGraw-Hill/Irwin.

Johnston, M. W., & Marshall, G. W. (2009). *Relationship selling* (3rd ed.). New York, NY: McGraw-Hill/Irwin.

Sheldon, D. H. (2006). *World class sales and operations: A guide to successful implementation and robust execution*. Ft. Lauderdale, FL: J. Ross Publishing.

## Learning Block 5 Practice Questions

1. Human rights and food safety laws are examples of which type of law?
  - a. State
  - b. Common
  - c. International
  - d. Community
2. Every organization, firm, or business is governed by:
  - a. A judge of a federal court
  - b. The president of the company
  - c. The rules and regulations set by the local, state, and federal governments
  - d. The House of Representatives
3. The term legal refers to:
  - a. A court of law
  - b. Company rules governing start and finish times
  - c. Any action that is permitted by the laws of the company
  - d. Any action that is permitted or required by the laws of a governing body
4. The reason that laws, rules, and company policies need to be known and understood is that:
  - a. They are nice to know
  - b. They directly affect employees
  - c. They can occasionally be useful
  - d. It is not necessary to know about laws, rules, and company policies



5. To establish trust with customers, customer service providers must act in which manner?
  - a. Report every issue to management
  - b. Be calm, communicate thoroughly, and respond quickly when situations arise
  - c. Report difficult customers to the legal department
  - d. Ignore customer complaints
  
6. Ethics provides guidance for which of the following?
  - a. Questions relating to the fairness, justness, rightness, or wrongness of an action
  - b. Questions relating to salaries and benefits
  - c. Questions relating to the quantity of products produced by a company
  - d. Questions relating to food safety
  
7. In the U.S., the Department of Labor administers and enforces:
  - a. All laws
  - b. Federal laws that impact the workforce
  - c. All federal laws
  - d. Specific company policies
  
8. Typically, who is responsible for monitoring team performance and providing training?
  - a. Customer service administrators
  - b. Clerks
  - c. Customer service managers
  - d. Sales managers
  
9. The purpose of being aware of the legal and regulatory concerns of order management and customer service is to help employees:
  - a. Earn more money
  - b. Understand the human resources side of the organization
  - c. Get more vacation time
  - d. Conduct themselves in a professional manner and ensure that customers' expectations are fulfilled
  
10. Employee mistakes must be brought to the attention of management for resolution to avoid:
  - a. Unhappy customers and possible legal action
  - b. Competitive disadvantages
  - c. More new rules
  - d. Salary cuts or decreases



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# Practice Questions Answer Key

## Learning Block 1

1. D
2. A
3. B
4. C
5. D
6. A
7. B
8. D
9. C
10. A

## Learning Block 4

1. C
2. D
3. A
4. B
5. D
6. D
7. B
8. D
9. A
10. C

## Learning Block 2

1. B
2. D
3. D
4. B
5. C
6. A
7. B
8. A
9. A
10. B

## Learning Block 5

1. B
2. C
3. D
4. B
5. B
6. A
7. B
8. C
9. D
10. A

## Learning Block 3

1. C
2. B
3. D
4. A
5. B
6. A
7. C
8. C
9. B
10. C



# Customer Service Operations Certification Track Glossary

\*: Indicates terms coming, in part or in whole, from the Supply Chain Management Terms and Glossary from August 2013.

## 0-9

**3PL\***: See *Third-Party Logistics Providers*.

## A

**After-Sale Warranty Process**: This process includes inspecting, sorting, handling disposition, and managing the enforcement of the warranty program for returned products. In some cases, companies use third-party logistics providers to perform some or all of these procedures.

## B

**B2B\***: See *Business to Business*.

**B2C\***: See *Business to Consumer*.

**Barcode**: A symbol consisting of a series of printed bars representing values that power a system of optical character reading, scanning, and tracking of units by translating these bars into a numeric or alphanumeric identification code. A popular example is the Universal Product Code (UPC) used on retail packaging.

**Best Practice\***: A specific process or group of processes that have been recognized as the best method for conducting an action. Best practices may vary by industry or geography, depending on the context. Best practices methodology may be applied with respect to resources, activities, cost objectives, or processes. Note: Best practices that are generally available from any source should be analyzed to determine their applicability to given situations before being used as a guideline or benchmark.

**Business to Business (B2B)\***: See also *Business to Consumer (B2C)*. Many companies are now focusing on this strategy, with websites aimed directly at businesses; only other businesses can access or buy products on those sites.

**Business to Consumer (B2C)\***: See also *Business to Business (B2B)*. The hundreds of ecommerce websites that sell goods directly to consumers are called B2C sites. This distinction is important when comparing them with B2B websites as the entire business model, strategy, execution, and fulfillment are different.

## C

**Call Center\***: A centralized office used to receive and transmit a large volume of requests by telephone. A call center is operated by a company to administer incoming product support or information enquiries from consumers and outgoing calls for telemarketing, client relations, product services, and accounts payable.





**CLC:** See *Customer Life Cycle*.

**CLM:** See *Customer Life Cycle Management*.

**Communication:** Communication involves the transfer of information among people and places. There are various methods of communication, and more than one may occur at a time. Communication involves sending and receiving information through different methods: written communication, oral communication, nonverbal communication, and visual communication.

**Communication Channel:** Describes methods of communication used. The many methods of communication in business today include emails, voice mails, phones, and texts.

**CRM\*:** See *Customer Relationship Management*.

**Customer Intelligence:** Information about customers in the supply chain.

**Customer Life Cycle (CLC):** A term used to describe the steps that firms follow in identifying, gaining, managing, and keeping customers.

**Customer Life Cycle Management (CLM):** The management of all the aspects of the customer life cycle.

**Customer Order Fulfillment\*:** The typical business process that includes receiving and processing customer orders all the way through delivery.

**Customer Order Receipt:** Involves customers receiving and accepting orders. During this process, customers check the quantity and quality of delivered products; if they have incomplete or damaged orders, details are recorded and suppliers notified.

**Customer Relationship Management (CRM)\*:** Term given to developing different strategies to serve most effectively the full range of customers that interact with a company. This concept also includes the technologies that companies use to manage and analyze these customer interactions and the data generated throughout the customer life cycle.

**Customer Request/Arrival:** The order management cycle begins with customers requesting information or making another request from potential suppliers. These enquiries might involve pricing, product specifications, availability, or delivery timelines (e.g., a customer either enters a clothing store, calls the clothing company to inquire about a shirt, or uses the Internet to order clothes online).

**Customer Return Process:** The customer returns process can include repairing products and returning them to customers, placing the material back into stock, or refurbishing items for resale. The returns process is an important part of the various functions that typically occur in warehouses.

**Customer Service\*:** Activities between buyers and sellers that enhance or facilitate the sale or use of sellers' products or services.

**Customer Service Assistants:** Entry-level positions that are typically responsible for answering basic customer questions and helping customers find products or services. Assistants usually report to customer representatives or customer service managers.

**Customer Service Managers:** Typically responsible for monitoring team performance, training and developing staff, hiring staff, mentoring and coaching staff, and performing similar tasks. Managers typically report to executives like directors and vice presidents in operational departments such as customer service, customer care, or sales.



**Customer Service Representatives:** Employee responsible for maintaining a good relationship between a business and its customers by providing customer support in person, via telephone in call center environments, or electronically via chat, email, or social media.

**Customer Service Stations:** Customers can go to these stations and return or exchange goods they have purchased, ask questions, discuss issues, and ask for help with shopping.

**Customer Service Supervisors:** Responsible for delegating work, instructing customer service team members, resolving more complex customer issues, and accomplishing similar tasks. Supervisors typically report to customer service managers.

## E

**EDI\*:** See *Electronic Data Interchange*.

**Electronic Data Interchange (EDI)\*:** Intercompany, computer-to-computer transmission of business information in a standard format.

**Ethical Standards\*:** Principles that when followed promote values such as trust, good behavior, fairness, and kindness.

## F

**Fulfillment\*:** The act of fulfilling customer orders. Fulfillment includes order managing, picking, packaging, and shipping.

## I

**Internet\*:** A computer term that refers to an interconnected group of computer networks from all parts of the world (i.e., a network of networks). Accessed via a variety of methods, it contains a wealth of information resources and acts as a global electronic message routing system.

**Inventory Accuracy Indicators:** These indicate when the on-hand quantity is equivalent to the perpetual balance (plus or minus the designated count tolerances). It is often rendered as a percentage showing the variance between book inventory and actual count. This is a major performance metric for any organization that manages large inventories.

**Inventory Control:** The output of processes and procedures that ensure that the amount of material on hand equals the amount of material recorded in computer systems.

**Invoice\*:** A detailed statement showing goods sold and amounts owed for orders. The invoice is prepared by sellers and acts as the document that buyers use to make payments.

**Issue Management Plan:** Specifies how issue escalations will be managed with supervisors and managers and how customers will be handled throughout the issue management cycle. This cycle includes all steps from identifying an issue to resolving that issue.

**Issue Resolution:** The process and actions taken within companies when issues arise among customers, businesses, suppliers, and others in the supply chain.

## K

**Key Performance Indicators (KPI)\*:** A measure that is of strategic importance to companies or departments.



**KPI\***: See *Key Performance Indicators*.

## Q

**OMS\***: See *Order Management Systems*.

**On-Time Delivery**: A measure of customer service. All items on any given order must be delivered on time for the order to be considered as complete and on time.

**Order Cycle Time**: Total time from when orders are received by suppliers until orders are shipped to customers.

**Order Entry**: The process of receiving orders from customers and entering them into companies' order processing systems. Orders can be received through phone, fax, or electronic media. Activities may include technically examining orders to ensure an orderable configuration and provide accurate price, checking customers' credit and accepting payment (optionally), identifying and reserving inventory (both on hand and scheduled), and scheduling a delivery date.

**Order Fill Rate**: An indicator that provides insights into achieving the perfect order and into the fulfillment process, satisfied from stock at hand.

**Order Fulfillment Lead times\***: An average of the consistently achieved lead-time from customer order origination to customer order receipt for a manufacturing process strategy (Make-To-Stock, Make-To-Order, Package-To-Order, and Engineer-To-Order).

**Order Management\***: The process of managing activities involved in customer orders, manufacturing orders, and purchase orders. For customer orders, this includes order entry, picking, packing, shipping, and billing. For manufacturing, this includes order release, routing, production monitoring, and receipt to inventory.

**Order Management Systems (OMS)**: Used to support order processing by automating and streamlining the processes involved in the placement and management of customer orders.

**Order Process\***: Activities associated with accepting and filling customer orders.

**Order-to-Cash Cycle Time**: A set of business processes involving receiving and fulfilling customers order for goods and services ending when the payment is received and recorded.

## P

**PCards**: See *Purchasing Cards*.

**Point of Sale (POS)\***: The time and place at which sales occur, such as at cash registers in retail operations or order confirmation screens in online sessions. Supply chain partners are interested in capturing data at the POS because it is a true record of sales and is not derived from other information, such as inventory movement.

**POS\***: See *Point of Sale*.

**Purchasing Cards (PCards)**: Company charge cards that allow goods and services to be purchased without using traditional purchasing processes, avoiding the need to issue invoices.



## R

**Return:** Material that has been rejected by end customers or buyers' inspection department and is awaiting shipment back to the supplier for repair or replacement.

**Return Material Authorization (RMA)\*:** A reference number produced to recognize and give authority for a product to be returned to a distribution center or manufacturer. This form typically needs to be accompanied by a warranty or return, which helps the company identify the original product and the reason for the return. The RMA number often acts as an order for the work required in repair situations or as the reference for credit approval.

**Returns Management Systems:** Processes involved with returning goods from customers to manufacturers. Products may be returned because of performance problems or because customers do not like the products.

**Reverse Flows\*:** A specialized segment of logistics focusing on the movement and management of products and resources after the sale and after delivery to customers. Includes product returns for repair or credit.

**RMA\*:** See *Return Material Authorization*.

## S

**SCM\*:** See *Supply Chain Management*.

**Strategic Alliance\*:** Business relationship in which two or more independent organizations cooperate and willingly modify their business objectives and practices to help achieve mutually beneficial long-term goals and objectives.

**Supply Chain Management\*:** The design and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Notably, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party logistics providers, and end customers.

## T

**Technical Customer Service:** This service involves company workers who can answer technical questions related to products and address issues by repairing or replacing products.

**Third-Party Logistics Providers (3PL)\*:** A firm that provides multiple logistics services for use by customers. Ideally, these services are integrated, or "bundled" together, by the provider. These firms facilitate the movement of parts and materials from suppliers to manufacturers and the movement of finished products from manufacturers to distributors and retailers. Among the services they provide are transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding.



# Notes Page

Lined area for notes.



# Addendum

The previous document version was V2.22 (file name LINC.S.CSO.v2.22.06232016).

Current version is v2.24 (file name LINC.S.CSO.v2.24.03242017) and contain the following updates:

- Replaced all CanStock images
- Replaced all unnecessary instances of “above” and “below” .
- The abstract page was corrected to match all other tracks
- All non-working links were replaced or deleted
- Updated reference page

