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ASSOCIATES

Tompkins Associates Surveys CEOs

"Customers are our main concern"

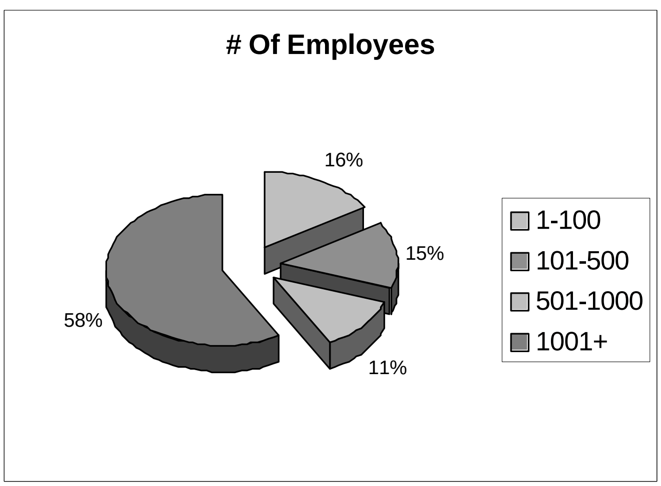
The efficient distribution of merchandise along the supply chain will be one of the factors that determines who commands the global market, now and in the future. At some point, most companies evaluate the possibility of a third party handling all or part of the process of moving their product to the consumer. Many manufacturers have made the choice to focus on their core business and allow a third party to handle the job of moving their product to the consumer. As a result, the third party logistics (3PL) industry continues to grow.

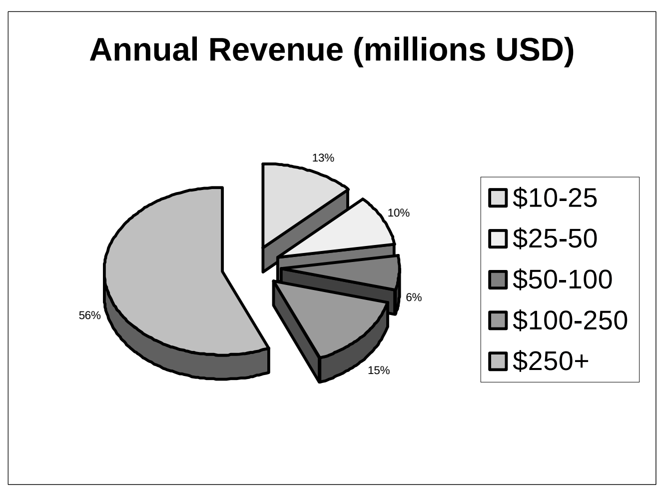
As companies focus on their core competencies and look for other companies to manage and perform many of their logistics functions, CEOs face even greater challenges. Not only must they be concerned with their own performance, they must be equally concerned with the performance of their 3PL business partners.

Tompkins Associates recently produced a comprehensive survey targeting 3PL CEO concerns. The objective of this survey was to pinpoint the requirements for competitive advantage as executives see them, enabling supply chain members to expand services and competencies accordingly.

Respondent Characteristics

Over 55% of executive respondents reported that their company size was greater than 1000 employees and $250 million in annual revenue.





Industry segmentation was broad. Respondents could choose multiple vertical markets in order to best represent their 3PL organization. The top three industry segments serviced by respondents (there were "ties" at all three levels):

1 - Electronics (14%), Retail (14%)
2 - Automotive (13%), Industrial Parts (13%)
3 – General Commodities (11%), Grocery (11%)

The top outsourced functional areas were:

1 – Warehousing (10%), Logistics Information Systems (10%)
2 – Shipment Consolidation (9%), Carrier Selection (9%), Order Fulfillment (9%)
3 – Product Returns (8%)

Other outsourced functional areas were:

1 – Fleet Management
2 – Import/Export
3 – Order Processing
4 – Product Assembly/Installation
5 – Rate Negotiation
6 – Spare Parts Distribution
7 – Inventory Replenishment

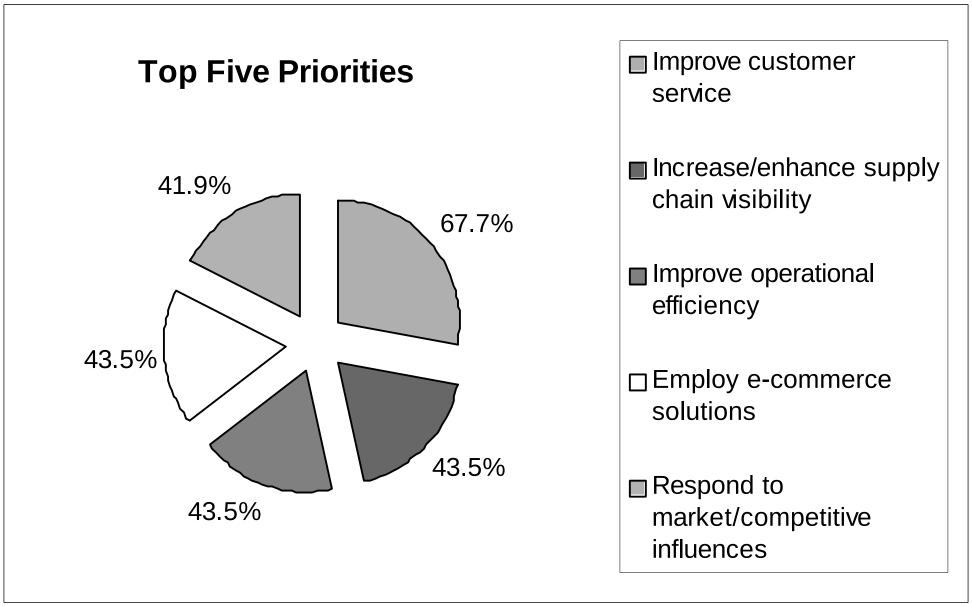
Each executive was asked to rank the top priorities of his or her 3PL organization. Multiple selections could be made. The complete list follows:

- Broaden role to "lead logistics provider"
- Define commoditization issues
- Define contract types
- Develop extranet capabilities
- Develop performance measures
- Differentiate services/attract partners
- Employ e-commerce solutions
- Employ e-tail solutions
- Evolve to 4PL status
- Evolve to Global Lead Logistics Provider
- Evolve to National Lead Logistics Provider
- Focus on core business
- Gain domain expertise
- Improve customer service
- Improve expertise/market knowledge
- Improve operational efficiency
- Increase/enhance supply chain visibility
- Migrate to IT solution assembly network
- Reduce costs
- Respond to market/competitive influences

The Results

The top five priorities for CEOs were:

1. Improve Customer Service
2. Increase/enhance supply chain visibility
3. Improve operational efficiency
4. Employ e-commerce solutions
5. Respond to market/competitive influences



Priority #1: Improve Customer Service

It was no surprise to Tompkins Associates that 68% of respondents chose "improve customer service" as their main priority for the next millennium. This indicates a deep comprehension of the factors that are changing commerce: demassification of products and services, visibility of information, and implementation of "best practices" that melds technology, processes, and resources to form an efficient and effective supply chain focused on the customer and not on siloism.

The whole reason to be in business is to satisfy the customer. If you don't have satisfied customers, you will not be in business over the long-term. Companies fail when customers' perception of product, price, quality, or service does not keep pace with their customers' expectations of their offerings.

The foundation for customer satisfaction must be laid by leadership. CEOs must adopt a customer satisfaction culture and make sure that everyone in the organization understands the answers to the following key questions:

1. Who is the customer?
2. What does the customer want?
3. How do we increase customer satisfaction?

How do CEOs discover the answers to these questions? The answer is in the iceberg of listening. The iceberg of listening indicates that only 8 percent of all opportunities to improve customer service are known by upper management, 16 percent by middle management, 32 percent by supervisors, 64 percent by staff, but 100 percent by customers. First and foremost, companies must listen to the customer, then respond to and take action based on the customer's input.

The most popular but least useful method of listening to customers is through their complaints. Complaints tell you about problems that should be addressed and about things causing dissatisfaction, but complaints do not tell you anything about improving customer satisfaction. In addition, complaints only represent a very small percentage of dissatisfied customers as most will rarely be outraged enough to go through the process of submitting a complaint.

Customer interviews also tend not to result in accurate understanding of customer satisfaction. The problem with interviews lies with people being unwilling to truly speak their minds, to commit the time to sharing their thoughts, and wanting to avoid controversy.

The best approach to listening to the customer is with a customer survey. The best tactic from both a customer satisfaction and a response rate perspective is to call the customer a few days after they receive an order and ask them about the order and if they would be willing to complete a customer survey. A short survey containing mostly multiple choice and some open-ended questions that are well thought-out should glean the best results.

By getting to know the customer, CEOs can set the path forward for improvement. They can drive their companies from good customer service to invincible customer satisfaction. They can move from talking about satisfying customers to actually satisfying them.

Priority #2: Enhance/Increase Supply Chain Visibility

In the process of enhancing and increasing supply chain visibility, CEOs may decide to follow the current trend of participating in a business-to-business (B2B) exchange. This will increase supply chain visibility, but it will not enhance it. To enhance supply chain visibility, the exchange must part of a larger plan to synthesize the supply chain. Enhancing and increasing supply chain visibility may be accomplished with Supply Chain Synthesis (SCS). Practicing the eight core competencies of SCS—Change, Peak-to-Peak Performance, Total Operations, Customer Satisfaction, Manufacturing Synthesis, Distribution Synthesis, Partnerships, and Communications—will result not only in a highly visible supply chain but one that has a competitive advantage in this global economy.

Priority #3: Improve Operational Efficiency

Companies embark on the journey to operational excellence for a number of reasons. Often customer satisfaction is the driving force, or the company seeks more control and organization in their processes. Others are striving to drive the last possible excess from inventory or are after greater supply chain execution accuracy. Whatever the motivation, CEOs want to improve performance and thereby reduce operational costs.

SCS is to the supply chain what Total Operations is to an organization—total integration. This integration requires the alignment and commitment of the people involved. CEOs must remember that people are what truly enable process improvements. CEOs must make the company vision, mission and model of success known and then give the power to the people to make things happen.

We suggest that attitude, more than any other single factor, drives the success of Total Operations Excellence and a synthesized supply chain. If everyone from the CEO down is involved in the pursuit of Total Operations Excellence and Supply Chain Synthesis, operations will be improved and the goal of satisfying the customer will be attained. Everyone wins.

Priority #4: Employ e-Commerce Solutions

By 2003, it is estimated that Internet sales will reach $1.3 trillion and that nearly two-thirds of those sales will be prompted by business-to-business (B2B) interaction. Companies across industries are vying for position in the new e-world. CEOs know they have to harness the power of the Internet and use it to transform their companies.

The e-marketplace enables buyers to compare prices and services easily, leveling the playing field among competing sellers. This accelerates margin pressure, reduces the value of branding, and increases the importance of providing quality service and high levels of customer satisfaction. Supply chains in the e-world must be nimble and must be quick. Those companies that recognize the relationship between e- and SCS will have bright futures.

Priority #5: Respond to market/competitive influences

There are two major logistics challenges facing business today: integration and turbulence. The integration challenge has to do with the necessity of taking a broad “womb-to-tomb” perspective of today’s logistics network. The holistic “womb-to-tomb” perspective requires an integrated strategy from our suppliers, supplier’s supplier to our customers, and our customer's customer. The turbulence challenge has to do with the rate of change occurring throughout today's logistics network.

CEOs are faced with how to strategically deal with the "continuous whitewater" occurring in the "womb-to-tomb" logistics network. Very few organizations are addressing both the integration and turbulence challenges.

Traditional logistics focus primarily on the internal coordination of the materials management function, the material flow through the operations function and the physical distribution function. Turbulence in the network from either suppliers or customers is viewed as a major irritant and efforts are put forth to minimize turbulence.

Supply chain management views logistics as an individual link. The integration of many links in the supply chain must occur to eliminate waste. Each link in the supply chain must be optimized to ensure the proper supply of product to the links further down the supply chain. Supply chain management seeks to manage that which can not be controlled—turbulence.

SCS picks up where supply chain management leaves off. SCS results in optimization of the total integrated pipeline from a customer perspective. SCS harnesses the energy of change to address the turbulence of the marketplace to achieve true continuous improvement. CEOs who lead their organizations to become SCS organizations will achieve true logistics excellence. The marketplace demands it.

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About Tompkins Associates

From our beginning over 25 years ago, Tompkins has offered clients long-term solutions that accommodate companies' changing needs and provide the foundation for future growth. With an emphasis on integrated solutions, Tompkins' Total Operations expertise provides the understanding that can guide companies to operational excellence. Tompkins provides expertise in Supply Chain Synthesis, warehousing, systems implementations, material handling, facilities planning, manufacturing, team-based continuous improvement, construction services, maintenance, quality and organizational excellence.

Tompkins Associates understands back-end operations. Tompkins' expertise in order fulfillment and supply chain systems helps clients provide the service they need to satisfy their customers. Only Tompkins Associates does this at the speed of e-.

With its corporate headquarters located in Raleigh, NC, Tompkins Associates has offices throughout the United States in Atlanta, GA; Chicago, IL; Irvine, CA; Allentown, PA; Dallas, TX and Raleigh, NC. Tompkins also has offices in Warwick, UK, Toronto, Canada and Buenos Aires, Argentina. Tompkins' Monterrey, Mexico office will open in late 2000.