



## **A CASE STUDY ON CREATING CUSTOMER VALUE IN SUPPLY CHAIN MANAGEMENT**

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### **ABSTRACT**

*In this post globalization era, the business units are being forced 'forced' to provide better than the best to the customers. For, today's customers are a different lot than what they used to be decades ago. They are no longer willing to be content with the 'take it or leave it attitude' of the traditional business units. They are demanding, aggressive and are determined to have the best product at a price & quality, which they are willing to pay and what they consider it to be right in their own perspective. This paradigm shift in the attitude of the customers' is forcing the organizations to be innovative and create value for the customers such as injecting technology to provide services to the customers on 24x7x365 basis across the world and assisting the customer in placing the order for a product while he is in US and to have it delivered in India at a time and place as 'dictated' by him. But, all this emphasis on creating customer value and of providing services round the clock, has the backbone of an effective, efficient and efficacious Supply Chain Management System. For, without, this core aspect, the focus on customer value goes for a toss. Thus, business units of today are keenly studying, analyzing, innovating and implementing myriad measures so as to ensure customer value satisfaction.*

*This is a conceptual case study, based on the corporate experience of the authors. The domain of the case study is the automobile sector. Initially the case study covers the basics of Supply Chain Management System and gradually it transcends to an establishment of Supply Chain Management System*

*Finally the problems at the end are focused more on the usage of analytical skills rather than the usage of the theoretical concepts of Supply Chain Management System.*

**KEY WORDS:** *Attitude, Backbone, Customer, Innovative, Value*



## INTRODUCTION

Turnaround Flip Flop Automotive Inc. (TFFA *in short*), is a multinational automobile organization having its headquarter in a beautiful city of Timbuktu, Mali, a small country in the African subcontinent. The company has its offices located in the various countries across the world such as USA, UK, Germany, France, and Australia. TAFF, of course, has its operations in India with its head office in New Delhi and the production unit in Gurgaon, Haryana. The Indian operations is handled by Mr. Zip Zap Boom (ZZB *in short*)

TAFF is into the following automobile products:

- Heavy automobiles
- Midsized automobiles
- Small sized automobiles
- Luxury automobiles
- Sports automobiles

Of late, due to increasing competition, in the automobile sector and the decreasing profit margins, Mr. ZZB decided to undertake the 'Customer Value' perception exercise of the customers on the following parameters.

- Reliability
- Quality
- Safety

- Handling
- Efficiency
- Technology

The choice of the above parameters was based on the feedback from different sources and using varied means such as indirect interactions with the clients and suggestions received at the drop boxes placed at many vantage points in the servicing centers and the like.

**Table 1**, depicts the summarized results of the feedback obtained from different sources based on the identified parameters which were of value to TAFF. The time duration of this exercise was 2 months, in which, it has been observed that the numbers of car being sold and number cars coming in for maintenance and service checkups is proportionally high compared to other time period of the year.

**Figure 1**, presents the graphic display of table 1, in the form of a pie graph. The choice of using a pie graph arose from the fact that TAFF wanted to have a bigger picture of the ratings provided by the customers. Accordingly, MR. Zip Zap Boom and his team of executives had set it as a objective to micro-manage the same and to provide better value added services to the customers.

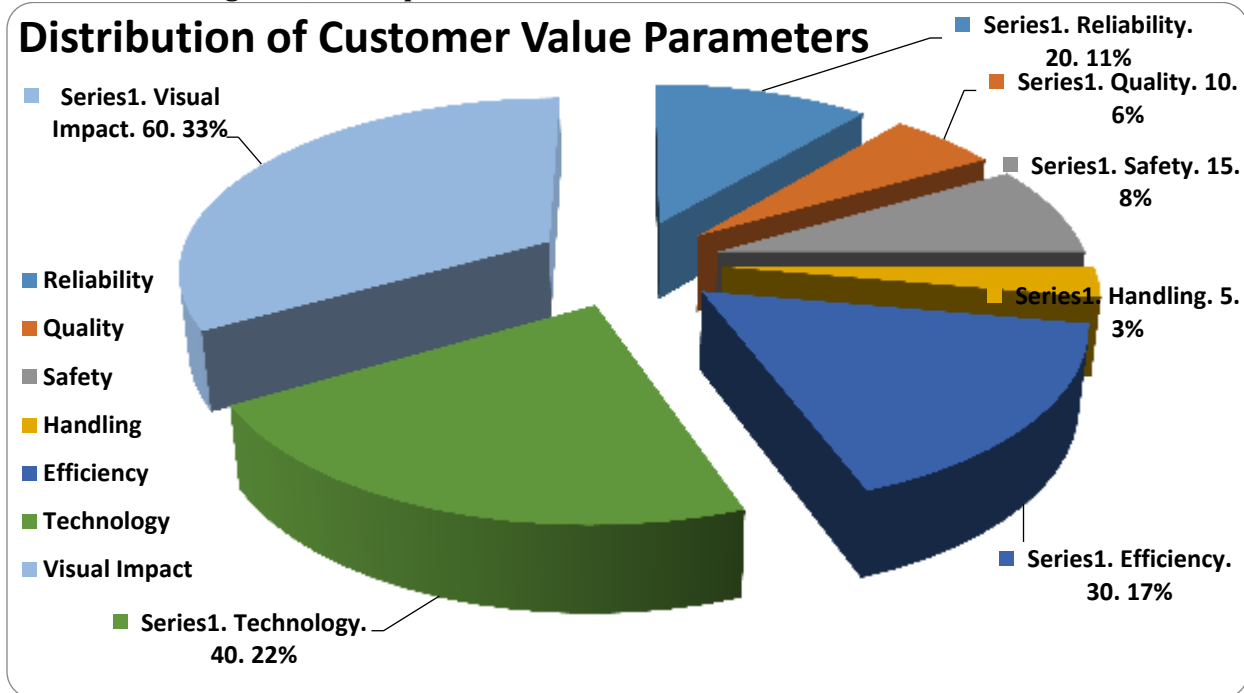
**Table 1: Customer Value Ratings**

S. No.	Customer Value Perception Parameters	Rating on the scale of 100
1.	Reliability	20
2.	Quality	10
3.	Safety	15
4.	Handling	5
5.	Efficiency	30
6.	Technology	40
7.	Visual Impact	60

**Note :** The above exercise was conducted for Mid-Sized automobiles of TAFF



Figure 1, Pie Graph for the Distribution of Customer Value Parameters



From *Table 1* & also from *Figure 1*, the team of TAFF executives agreed to address those customer value parameters which have a low rating i.e. the ratings pertaining to **Handling, QUALITY AND SAFETY COMPONENTS**.

In order, to address these parameters, Mr. ZZB, hired the services of a consultant Mr. OptiCon or OC in short. Mr. OptiCon, took a detailed study of the various processes in TAFF and proposed the following strategy to take this ahead and achieve the objective of the organization.

- Defining the micro-parameters related to Handling, Quality and Safety Issues and how can these be addressed within the ambit of Supply Chain Management components
- Defining the measurement mechanism for the identified parameters
- Defining an action plan for these parameters
- Monitoring the action plan and the results produced by them
- Optimizing the same

Mr. Zip Zap Boom, was convinced with the approach outlined by Mr. OptiCon and accordingly, the management of TAFF agreed to get this done with the initial time line of 4 months.

As a first step, in going ahead, Mr. OptiCon, prepared a detailed execution plan which covered the micro-level activities and based on this plan he started his execution.

### SCOPING OF THE PARAMETERS

- Defining the customer

This was the first step, which Mr. OptiCon undertook. He scoped the word 'customer' in context with the linkage of Supply Chain parameters. Thus, Customers, for the context of this case study, are limited to External Customers and Internal Customers.

External Customer, invariably means the customer, who is the end user. For, example, the external customer is the one who actually buys the automobile and who in due course of time brings in his *vehicle* for servicing and repairs and he pays for these services.

Internal customers on the other hand are those customers, who, interact with one another or interact with several functional units within the organizational boundary of TAFF. For example, the Purchase department is the customer to Finance department. In the same parlance, Human Resource department is *Supplier* to all the other departments as they



supply (or provide) human resources through recruitment or job hunting etc.

- Defining the value parameter for each of the customers

The next and the crucial step involves defining “*What the customer understands the term value?*” or in other words, defining specifically the term “**Value**”. This is necessary as any lapse; any ambiguity will have disastrous effects on the other related parameters like defining the measurement for these ‘*value components*’.

- Defining the measurement mechanism

Once the values are identified or scoped, the next crucial step is defining the measurement parameters related to the value defined for each of the customers. For, without the measurement mechanism, creating customer, value, and managing the same is next to impossible.

**Table 2**, below provides examples for some of the value and measurement parameters for both the customer *viz. Internal Customers and the External Customers*.

**Table 2, Some value and measurement parameters for external and internal customers**

Customer Type	Core Parameter	Value	Measurement Criterion
External	Handling	Reception	No. of times the customer in the reception has to wait for more than 30 minutes. Eg. A customer entered the reception area at 10:00 a.m. he was attended to at 10:45 a.m.
	Quality	Timeline	No. of times the Timelines was met or missed. Eg. The car was promised to be delivered by 4:00 p.m. instead it was delivered by 4:30 p.m.
		Defect	No. of minor items which were not attended to despite noting it down on the job card Eg. The floor mat was not washed despite noting it down on the job card
		Cost	The number of times the committed estimate exceeded by 10% Eg. The estimated budget for servicing the car was Rs. 10,000/- but now it is Rs. 16,000/-
Internal Customer	Handling	Request	No. of times the request was not handled properly Eg. A request was raised by Finance to HR for recruitment of Finance executive, it was kept in abeyance beyond 2 months for no apparent reason
	Quality	Defect	No. of times the specified automobile part was found defective Eg. Piston ring of 10mm was supplied when the request was for 12 mm

Thus, we see that the above table provides vivid clues in the process of defining the value parameters as perceived by the customers and also their (possible) associated measurement components. The next step,

from this point onwards, calls for handling the supply chain management issues which directly and indirectly can affect the customer value creation mechanism.

**Table 3, provides the supply chain parameter which are affecting the customer value creation parameters**

Customer Type	Event	Supply Chain Parameter	Affected Customer Value
External	Customer reporting at the reception	Unavailability of the concerned person at the reception	Handling
	Customer is presented the bill which includes items which were carried out without his approval	The concerned manager who failed to obtain the consent of the customer for any extra work being done	Cost
Internal	The Store Manager supplies 10mm piston rings instead of 12 mm piston rings	The store manager inadvertently supplied 10 mm piston rings instead of the specified rings as detailed in the job card	Timelines

The above points provide sufficient examples of the evidence, to highlight the customer perception towards the value and its related effect on the supply chain management parameters.

### QUESTIONS AND DISCUSSIONS

For the purpose of the case study, you have been nominated to address the various issues. In particular, you are required to carry out the following

Q1. Identify the various value parameters, apart from those given above, for the identified core parameters. The identified value parameters should be supported by strong reasons as to why they constitute a value parameter?

Q2. Based on the identified value parameters, determine the various measurement parameters that would be required to address the value parameters.

Q3. Based on the above questions, identify, the various supply chain parameters which would constitute value to the customer.

Q4. Draw an action plan for implementing the measurement system and monitoring the same for the purpose of optimization.

Q5. Draw a format of the matrix report which will show the status of the parameters after 1 month when the same has been implemented

**Note:.** All the above parameters should be different from those examples presented in the case study.

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