

10 ways Customer Journey Mapping can improve Supply Chain performance

- 10 ideas for inspiration



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What is a Customer Journey Map?

The last couple of years the concept of “Customer Journey Mapping” has gained widespread acceptance and recognition.

In Customer Journey Mapping; the experience in the eyes of your customers are mapped, through all the life stages of the customer.

The Customer Life Journey model is a good tool to use for inspiration for identifying the touchpoints along the way.



Figure 1: Customer Life Journey¹.

Touchpoints start from the first evolution of the customer need, to research and selection to purchase and receiving, and then further on to use, maintain and recommend.

It poses a paradigm shift from earlier, where companies tended to focus “inside out” in working and measuring the customer experience.

There are many ways to draw the customer journey map, typically it is a timeline of touchpoints where you map the customer needs, expectations, feelings and satisfaction in each point². The result is typically represented by some sort of infographic that is pinned to the wall. Or a brown paper with post it notes in all colors pinned to it.

Where traditional Customer Satisfaction KPI’s are measuring performance in one single touchpoint, the total customer experience is the sum of all touchpoints.

Benefits of Customer Journey Mapping

The concept is largely used by Sales and Marketing functions, to understand and improve customer experience, reduce customer turnover and hence grow revenue.

A study made by McKinsey³ showed that a 1%-point improvement on Customer Satisfaction led to a 3%-point growth in revenue.

3%

Revenue growth

Furthermore; companies working dedicated to deliver excellent customer journey’s tend to win in the market.

Those that provide customers with the best experience during the whole journey, can expect to enhance customer satisfac-

tion, improve sales and retention, reduce end to end service cost, and strengthen employee satisfaction³.

!! *Companies will increasingly win or lose on the battleground of customer experience⁴.*

Customer Journey Mapping is also relevant for Supply Chain

You might think that this is only of interest to sales and marketing people, but think again!

The map is a treasure chest of information for all functions in your company, that can enable you to harvest benefits for both topline growth, profitability and balance sheet.

If carried out appropriately; the map will give you an "outside in" view of what the customer value, and what they don't value.

Both sides are equally important. It is not optimal to promise a short lead time and fluctating delivery accuracy, if actually the customer is prepared to wait longer, if they can rely on the exact time of delivery⁵. For all touchpoints in the journey, you will have a nuanced picture, of what value means in the eyes of the customer. Everything that you do in your company, should be tailored and synchronized to respond to that value.

The customer element becomes more complex the more upstream in the supply chain you are operating. You might need to make separate maps for first and second tier customers. For example, for a bath tub producer it might both be relevant to map the customer journey for

the end consumer, the construction company installing the bath tub in all new houses and for the retailers who are keeping stock in their showrooms.

You will most likely also learn from the maps; that customers are different, have different needs, expectations and perceptions of value – and hence should be treated differently!

10 ways Supply Chains can benefit

Involvement and engagement in Customer Journey Maps can deliver significant improvements for Supply Chains:

1. Increase profitability through segmented Service & Planning Concepts
2. Reduce workload through increased customer collaboration
3. Demand shaping and levelling through extended customer service
4. Reduced material cost through value clarification
5. Increased organizational efficiency through dynamic value chain teams
6. Reduce customer service cost through eliminating "service need"
7. Reduce logistics & distribution cost through value clarification
8. Optimize footprint
9. Improve profitability and efficiency through reduced complexity
10. Offer Supply Chain as a Service

Offering segmented service concepts where each customer is offered (from

their perspective) an optimal service package of lead time, quantity, price level, orderings pattern and delivery reliability. This will improve your profit margin.

An industrial goods company discovered that their customers preferred a 4 week

" Customers have different needs and hence should be treated differently.

leadtime and 1% invoice error rate over a 2 week lead time and 10% invoice error rate. This discovery enabled them to tailor their processes to match the exact requirement, and hence reduced their costs.

Working with customer service segmentation will also allow you to work with segmented planning concepts. Segmented planning concepts allows you to optimize your inventories and planning efforts much tighter than with one size fits all. It will improve your inventories, scrap and efficiency, and hence reduced Supply Chain costs.

Closer collaboration with leading customers, reducing the number of duplicate planning tasks, execution and control at both ends, and most likely reduce "noise" through the Supply Chain. A beverage company managed to create such good relations with key customers during the mapping exercise that they developed a collaborate forecasting and ordering process that reduced workload by 50% on both sides.

In some businessess it is common; that the supplier holds quite a lot of information about the consumption state of the customer product. This information

could proactively be used to "remind" the customer to renew its purchase, have service on its product and so forth. Imagine if your car dealer sends you an sms to remind you to change your winter tires and have your service check instead of you having to remember it. What if they called you with a suggested time instead of you having to call them. Such a proactive customer offer could both improve the customer experience, and help shape demand and level out potential capacity constraints.

Simplified material costs; as you know exactly what the customer values and what they don't value. An electronical component supplier learned trough Customer Journey Mapping that their customers did'nt like all the extra packaging of the delivered components. They spend a lot of time on unpacking. For the benefit of both companies the packaging was reduced significantly.

Extending your segmented planning concept with a Dynamic Chain organization where each customer

" The easiest way to find out what the customer value is to ask them!

segment, has its own dedicated planning and execution team, taking care of all touchpoints throughout the Customer Journey.

Dynamic value chain organization is a good idea if your customer segments behave differently and hence must be treated differently to maximize customer experience. A beverage company split it's supply chain into an Off-trade team,

servicing the large retailers on a day to day basis, and an On-trade team, servicing the restaurant and pub segments on a weekly basis. This concept meant that each team was specialized in servicing their particular customers, and hence the whole process was much more efficient.

Reduce customer service costs as the need for contact is eliminated by better performance in the earlier touchpoints. A company selling wireless connections managed to reduce customer service inquiries, by supplying better installation information together with the hardware delivery in the beginning of the journey.

Reduce logistics and delivery costs, as you realize exactly what it is, that your customers value, and are prepared to pay for.

Optimize your Distribution and Production Network to match customer expectations for service levels and lead times. The shift of demand from mature towards emerging markets means, that factories and distribution centres might need to relocate geographically.

Online retailers constantly get surprised by how much customers are willing to pay to get their deliveries fast. An example is online retailer Nemlig, that despite much higher prices for delivery at short notice is

" *The critical starting point for any Strategic Supply Chain development roadmap is the Customer Journey Map.*

seeing an increase in this type of order.

Clear direction for your Complexity Management effort as it becomes obvious what types of complexity the customer values. Is it the width of product

portfolio or the flexibility in operations.

Supply Chain as a Service: Extending your business with new and related service areas, because your customers upon receiving your product in 90% cases has an additional need (ie. Installation) that you might as well cover while you are there. A good example of this is IKEA that both rents out trailers and sell help for installation.

A starting point for strategic change

Customer Journey Mapping is not just an exercise to be completed by the sales & marketing people. It must be seen as a cross functional initiative for the benefit of the whole company. It should have strategic focus as the foundation for developing the future strategy for all business functions⁶.

Starting to work with customer experience from the "outside in" perspective is an excellent way of getting your organisation to work in the same direction and with aligned levers and business plans.

References:

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4. <https://go.forrester.com/data/cx-index/>