

# “What Gets Measured Gets Improved” The Importance of Making your Customer’s Experience your Metric

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## Introduction

“What gets measured gets improved”. Thanks to Peter Drucker and many other management specialists this has been a successful business mantra for many years. This white paper raises and answers some important questions that need attention, to ensure efforts on measuring are well deployed and deliver financial reward.

There are four specific considerations:

- What data is being measured – Is it clear exactly what data is coming into the database, how it is being filtered and what calculations are being applied?
- Is data easy to collect and can the business scale up without redesign of data management systems?
- Is the business aligned internally to focus on the external (customer) perception of the company’s service?
- Is the business measuring the same data and recording the same result the customer is evaluating suppliers on?

The conclusion of this paper is a demonstration using Rhodes Food Group (RFG) examples of the significant improvements achievable by aligning your business to measure KPIs per the customer’s experience.

## What data is being measured?

To measure a result with the intent to improve, it is critical to measure the correct data, comprehensively. There are several reasons a metric might not be reflecting the true result. It is crucial to understand the data set, how it is filtered and the calculations used to generate measures.

At RFG, the company was working to improve Fill Rate, only to find out the data set in the data cube was not complete, when the full environment was considered, the results had in fact been decreasing.

Don’t pre-define the environment from which data is collected, via hard-coding or otherwise. Make it as easy as possible to add new SKUs, customers and distribution sites. If data collection is hardcoded to look at shipments of specific SKUs from specific dispatch points to specific customers, when new dimensions are added to the network, the result will immediately lose sight of some shipments.

If the database easily accommodates changes and additions in the supply chain network, the effort associated with integrating new business can be focused on rolling out business processes and delivering results, not spent on determining how to change data collection methods.

## Is the data easy to collect and analyse?

Every minute saved on capturing and presenting data is an extra minute available to analyse, root cause and take action. If data is time consuming to refresh and difficult to slice and dice, not only does it consume time that should be used to make improvements, it also has a demoralising effect on the team trying to use the data.

Service data should be quick to refresh on a daily basis to enable speedy resolution of immediate causes and easy to slice and dice on a weekly and monthly basis to facilitate root causing and systemic fixes.

Daily dashboards that automatically refresh, allow teams to swiftly identify issues that can be remedied. Getting into a daily rhythm of refreshing data and spotting issues with quick fixes (relocating stock, fixing a master data issue etc) will deliver a significant improvement, if not step change results. No matter how big or sophisticated the business, there are always “silly little” things resulting in missed shipments that need detecting and resolving as quickly as possible before lost sales accumulate.

Having service data in a cube that uses an analytics application like Power BI or Tableau makes weekly and monthly slicing and dicing easy and effective. A fishbone analysis can be completed at the touch of a button and drill down functionality can provide insights supporting a detailed root cause analysis. Don’t fear Power BI, it is a business analytics application, the desktop version is free and a couple of youtube videos will empower the user beyond belief.

At RFG, as soon as a complete environment of data was measured and some simple daily and weekly dashboards were introduced with drill down functionality in Power BI, a month on month improvement in Fill Rate and On Time In Full (OTIF) was delivered.

## Is the business internally aligned to measure and deliver the customer’s expectations?

Companies have a choice, they can measure what they think they should be good at, or they can measure what the customer wants them to be good at, these can be two very different things. The most important measure is without doubt what the customer measures. It is the customer’s opinion of the supplier, not the supplier’s self-assessment that defines the reputation of the supplier and determines where the supplier sits in order of priority to receive additional business. When a KAM goes to a customer to sell new lines, they will be presented with the service levels the customer has evaluated the supplier against, if these service levels are not at the customer’s target, they will be used to the supplier’s disadvantage in any negotiation.

The business must be aligned at an executive level that the correct KPIs for the business to measure are the metrics the customer requires and values, not the KPIs by which the business would like to be assessed. If the leadership does not advocate this, every level of the organisation will motivate to adjust the result instead of embracing the result. In the case of RFG, the key metrics for the customers were Fill Rate and OTIF. For other companies, different customers may place higher value on different metrics (for example On Time may be significantly more valuable than In Full or vice versa).

At RFG the executive leadership was engaged in the importance of measuring service as the customer experienced it. To ensure the results could be delivered, a measure was introduced (what gets measured gets improved...). The measure was the delta between the Fill Rate and OTIF as measured by RFG and the customer’s measure of Fill Rate and OTIF. This result was tracked and presented at the executive business review every month, so the pressure was on to close the difference. The gap analysis on the results did not look at why sales had been lost, it focused purely on why the RFG result was different to the customer’s result and why.

Passionate teams want to deliver exceptional results. To deliver exceptional results, teams need to feel they have control over their results, however when it comes to the customer’s experience, the plants may feel they do not have control and therefore should not be measured according to the customer’s measure unless managed correctly.

Manufacturing sites only want service measures to be calculated on “fair” orders. Manufacturing and distribution sites typically do not want to be measured on orders placed late by the customer, they do not want orders on discontinued SKUs included in the measure and they also prefer to reflect only “true” lost sales i.e. filter out the repeat order phenomenon which results in more orders placed than stock required.

To ensure each functional team is held accountable to a result they can own and embrace, a gap analysis must be in place to identify the different areas that contribute to lost sales and poor OTIF. Functional teams must then own measures to improve their own areas e.g. commercial teams own the measure to reduce orders placed on discontinued SKUs and orders placed late, distribution teams own on time delivery of orders placed by the customer on time, IT teams own order processing times, manufacturing teams own fill rate on orders of current SKUs etc. The individual measures roll up to deliver Fill Rate and OTIF as the customer experiences it which is reported at a company level.

If manufacturing and distribution sites feel they are unfairly held to account for missed orders outside their own control, they may take measures to avoid the orders reflecting in the results.

## Measure your customer’s experience

If Fill Rates and OTIF are not measured on all orders the customer expects to receive, because somewhere in the organisation certain unfulfilled orders are deleted or filtered out, by definition the supplier is recording a higher service level than what the customer is experiencing.

A misalignment between what a vendor believes they are delivering and what a customer says is being delivered has many issues:

- Business dashboards do not reflect lost sales and late deliveries as recorded by the customer, preventing swift action to resolve issues, this is a missed opportunity to improve business results.
- Some of the reasons for missed deliveries as seen by the customer, sit with the customer, for example, placing orders late, ordering discontinued SKUs, delays at receiving, cancelling orders. If the supplier does not record these orders, the issues will not be visible in a gap analysis and the problems will never be identified and resolved.
- A supplier appears to the customer at best disorganised, at worst out of control of service delivery if the supplier does not have a view and therefore cannot root cause the missed shipments the customer has experienced. Monthly meetings with the customer will be fully occupied with discussions trying to reconcile customer and supplier measures. When meetings take on this format there is no prospect to build a trusting relationship, this in turn eliminates any opportunity to use monthly meetings to identify and execute joint value initiatives.

At RFG, the issues identified resulting in the difference between the customer’s measure and RFG’s measure could be split into two categories, data collection & calculation and human behaviour.

### Data collection and calculation issues

As already noted in the first paragraph of this paper, there were orders not captured in RFG’s database when they related to a SKU, ship to point, or distribution points not defined in the cube.

In addition to the missing data, upon investigation into the On Time measure at RFG, it was established the calculation for On Time was over complicated and again hard coded based on specific distribution/ship to point combinations. First prize is electronic PODs but in the absence of this a “less is more” approach was used, rules and logic in the On Time calculation were simplified and checked against the customer data to ensure it recorded within 90% tolerance of the customer’s result.

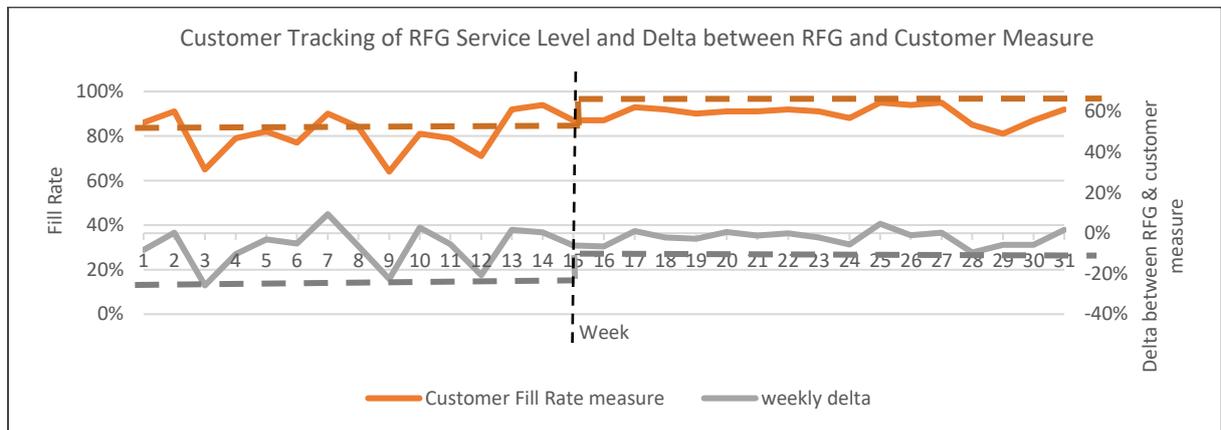
**Human behaviour**

As mentioned above, manufacturing and distribution sites only want to be measured on orders placed on current SKUs (not discontinued SKUs) and orders placed according to SLA lead times. To ensure sites were only measured on “fair orders”, some operators at RFG, deleted lines from orders that were on discontinued SKUs and sometimes deleted lines that could not deliver in full this week but could deliver in full the following week. This behaviour existed usually because the operator did not understand the full implications of their actions. As soon as the line was deleted there was no view of the issue, therefore nothing was highlighted in the gap analysis.

These deleted orders were the biggest contributor to the delta between the customer’s measure and RFG’s measure.

Through working with the plant managers, explaining the importance of having a full view of customer orders and explaining how customer meetings were unproductive when there was not a complete view of the orders places, the behaviour of the manufacturing and distribution sites was changed.

**What results are possible?**



The graph above shows fill rate as measured by one of RFG’s key retail customers (orange line) and the difference between the fill rate as measured by the customer and as measured by RFG (grey line). The vertical dashed line indicates the point in time when data collection alignment had been completed and human behaviour of deleting orders had been corrected.

Before the corrections, RFG’s service levels to the customer were erratic and there was a direct correlation between the service level received by the customer and the delta between the customer and RFG’s measure - when the service level as experienced by the customer dropped, the delta between RFG’s and the customer’s measure became large i.e. RFG was not measuring the drop in Fill

Rate. Following the corrections, the average delta between what the customer was measuring and what RFG was measuring reduced from -20% to -2%. As soon as the delta had reduced, i.e. as soon as RFG data reflected the customer’s experience, Fill Rate as measured by the customer step changed by 10%. In addition to the improvement, the Fill Rate was now steady and consistent.

The improved Fill Rate obviously meant more sales for RFG, but the benefit was far bigger than this. Firstly, monthly meetings with the customer were now much more constructive. Due to the elevated visibility of the service results at RFG, service issues were resolved daily with both RFG and the customer taking necessary actions to improve the results. For example the customer would engage in master data clean-up throughout the month as orders on discontinued SKUs were identified while RFG would proactively manage stock locations and communicate regarding out of stock SKUs. Through this daily process, the customer could see RFG had a very good understanding of the Fill Rate and the relationship improved, the monthly meeting agenda no longer focused on service issues, instead the monthly meetings could now include discussion and progression of joint value initiatives.

Secondly, there was a halo effect of delivering a high and consistent fill rate, the customer “cannot sell fresh air” so when opportunities arise for additional shelf space and promotion slots, the customer turns to their most reliable suppliers, also, in the event other suppliers have service delivery issues, preferred suppliers are top of the list to fill shelf space.

At RFG, year on year growth doubled following the step change in service levels delivered to the customer.

## Conclusion

“The customer is always right” may not be exactly true but the customer’s experience of a supplier is always right. A supplier will lose credibility and trust if they spend customer collaboration meetings explaining why their service measure is better or more accurate than the customer’s. A customer/supplier relationship by definition, has two parties and each has their role to play to improve the supply chain. So, the customer is not necessarily right – a supplier cannot be expected to deliver on time when there is a delay at the customer DC, but the fact that the delivery was not received into the WH on time, is true. Having one measure that both parties are aligned to is the foundation of a trusting, productive relationship. It allows both parties to identify and own their actions to improve the overall result.

“What gets measured gets improved” is a well proven narrative, so to improve the customer’s experience you must measure your customer’s experience. Measuring and improving the fill rate and OTIF experienced by your customer will increase sales, incrementally by increasing the number of orders fulfilled, and exponentially by becoming a trusted partner and securing new business with the customer.

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Susan Moore (MEng, CSCP) is the Head of Planning at Rhodes Food Group (RFG). Responsible for running and developing the company IBP process and delivering customer service.

Susan has 16 years of experience across the E2E supply chain from material supply, manufacturing, logistics to customer service delivery and value creation. Whilst specialising in supply chain planning and execution, Susan has a diverse knowledge across geographies and industries, working in Europe and Africa, in FMCG and Telecommunications. Susan holds an MEng degree from Oxford University in Engineering, Economics and Management.

Throughout her career, Susan has learnt and valued the importance of “what gets measured gets improved” (Peter Drucker), yet she understands the challenge often starts with establishing what to measure and how to measure it – easily and accurately. As part of her responsibility at RFG, Susan has worked on improving data integrity and aligning the data to the true customer experience which has enabled a step change in customer service and an exponential growth in sales.

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