



## THE ACES METHODOLOGY

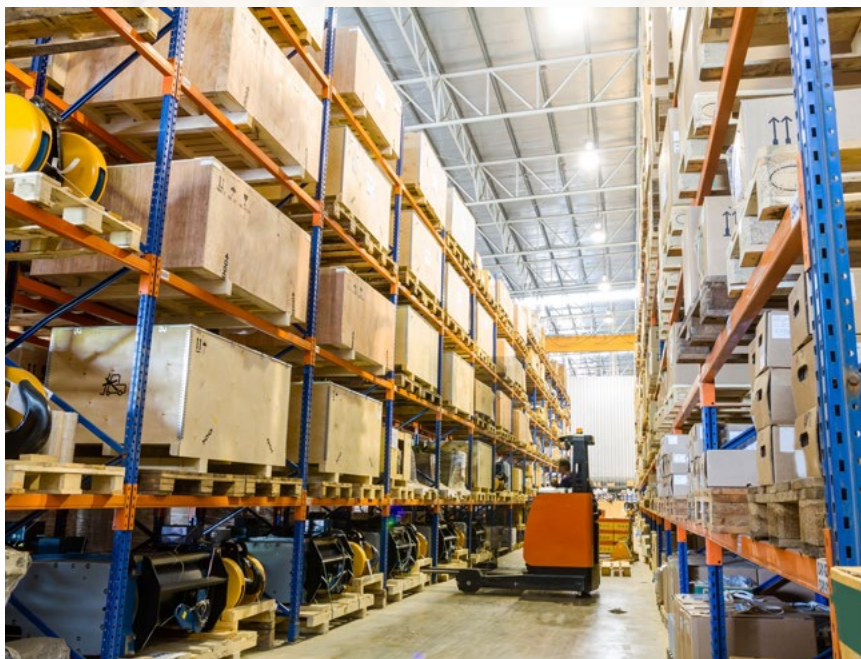
CREATING SUPERIOR CUSTOMER EXPERIENCES  
THROUGH AN OPTIMIZED SUPPLY CHAIN

# WHITEPAPER

## THE ACES METHODOLOGY

At the heart of an effective ecommerce strategy is the ability to deliver superior customer service that drives repeat business while maximizing profitability through reduced operating costs. From top line results to bottom line efficiency, every order counts when it comes to growing your business and building your brand.

For a successful eCommerce business, that means delivering every order, every time, to every customer exactly when promised and to do it as efficiently as possible to improve transactional profitability. Jagged Peak developed the ACES model to help eCommerce companies achieve that goal.



## WHAT IS ACES?

The ACES model is a methodology for measuring each element of the order life cycle and its impact on customer experience. Specifically, it measures the customer experience you deliver by quantifying the performance of your order taking and fulfillment processes and the enterprise applications that support these

processes. It provides a framework for rigorous examination of ongoing operations and identifies where to drill down to find the root causes of performance strengths and shortfalls. It allows organizations to review performance the way customers experience it so they can accelerate improvements that earn customer loyalty.

ACES is based on the premise that every action, or lack of action, has a cost and can be linked to financial performance. Each element of the ACES model connects to a real and tangible return and shows

organizations how specific aspects of the business contribute to improving customer experience and in turn, company growth and profitability.



### Overarching Goals and the Cumulative Effect of ACES

- Zero information latency
- Higher visitor conversions, lower cart abandonments
- On time delivery and minimal customer wait time (CWT)
- Reduce order handling staff
- Optimize inventory positioning, minimize backorders
- Reduce supply chain costs
- Improve cash flow and revenue growth
- Higher customer satisfaction
- Increase customer loyalty

## HOW IS ACES MEASURED?

### ACES Measures Performance through Three Lenses

Any organization that takes orders and fulfills them can use the ACES model, whether it delivers products in response to call center orders or sells widgets over the Internet from a worldwide inventory. ACES measures three critical business processes customers encounter every day - order processing, fulfillment and interactions with IT systems - quantifying their experience as they deal with you.

With ACES there is a new well-defined, complete model that can be just the thing to catapult your organization to better performance – and a competitive advantage. That model is ACES.

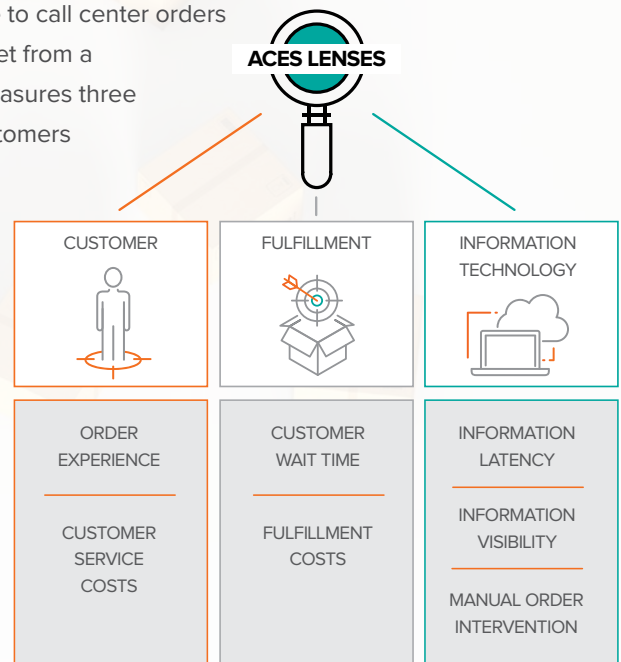


Figure 1. The ACES Performance Lenses and Component Measurements



#### The Customer Lens

This measures the performance of the business processes and tools customers use up to the point where an order is placed. It also measures performance when orders go wrong and customers require additional services, such as a product return.

Measurements used in the customer lens include order experience and customer service statistics:

- Website conversion rates
- Abandoned shopping cart rate
- Customer complaint calls
- Order cancellation rate
- CSR head count
- Operational cost per order
- Reships and returns
- Loyalty program participation



### The Fulfillment Lens

This measures business processes from the instant an order is placed until it is delivered to the location the customer designates. It measures the total time customers wait to receive products ordered and total fulfillment costs.

**Measurements used in the fulfillment lens include customer wait time and fulfillment costs:**

- Order accuracy
- On-time ship
- Elapsed wait time
- Operational costs
- Transportation costs
- Inventory value and holding costs



### The IT Lens

Measures how effectively enterprise applications support your order taking and fulfillment objectives. Optimal IT systems will automate more processes, cut errors and time and resources spent resolving exceptions. When looking through the ACES IT lens, the focus is on information visibility and latency and on how much of the business must be done outside the system. Orders that require manual intervention point to IT opportunity.

**Measurements used in the IT lens include information visibility, latency and manual order intervention:**

- Product data updates – frequency
- Data aggregation – manual vs automated
- Real-time data integrations with channels
- System uptime
- Time from buy to fulfill
- Order tracking - % linked carriers
- Inventory visibility – Availability to Promise (ATP)
- % of manual order intervention

### Scoring and Implementing ACES

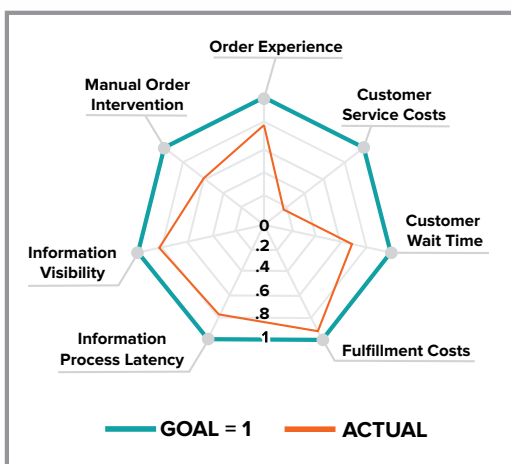
It's easier to understand performance when results are presented regularly and in an intuitive format. ACES creates a monitored metrics report and plots them on a spider diagram to display quantified results of customer experiences, costs of taking and fulfilling orders, and measures of IT performance.

*Example of ACES performance metrics and assigned weights based on company targets*

Lens	Measurement Focus (Spider Axis)	Example of Relevant Sub-Measures	Definition/Example	Statistic	Weight
Customer	Order experience	Abandoned shopping carts	% of shopping carts that do not checkout	% of shopping carts that complete checkout	20%
	Customer Service Costs	Cost per order	Total cost of operations divided by number of orders	Cost per order	50%
Fulfillment	Customer Wait Time (CWT)	On time shipment	Shipment within quoted lead times	Percentage orders shipped within quoted lead times	30%
	Fulfillment costs	Transportation costs	Optimal cost using defined premium transportation services vs. cost for faster service using optimized order distribution	Actual vs. optimum	60%
Information Technology	Information latency	Time from "buy" action (order capture) to available for fulfillment	Delay due to batch processing, complicated integration and translation, data inconsistencies, stock allocation processes latency	Range: seconds to days	25%
	Information visibility	Inventory	ATP, Inventory at each stocking location	Percentage of linked distribution networks	20%
	Manual order	Orders that require manual intervention	Range of orders that require intervention, from all to none	Percentage of orders that require manual intervention	100%

Each organization must set the appropriate ACES target levels to measure and drive the performance and progress of the fulfillment process. Bear in mind that over time you should continually revisit and tighten these targets.

*The ACES spider diagram displays performance*



A unique aspect of ACES is that, in many areas, especially fulfillment, it challenges the functional managers to derive optimum targets for their performance in the eyes of the customer. Likewise, these measures provide specific cause and effect relationships that can be acted upon.

Metrics must focus on significant gaps in performance, the things that can make a competitive difference.

ACES can be the visible link between true operating profit and your organization's actions – and strategic plans. Done right, ACES will drive your organization to superior customer experience, fulfillment excellence and higher growth and profit.



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