

Grainger Implements a Fully Converged IP Infrastructure to Enhance Customer Service While Improving Efficiency

Executive Summary

CUSTOMER NAME

Grainger

INDUSTRY

Business-to-business distributor; industrial supplies and equipment supplier to facilities/factory maintenance departments worldwide.

BUSINESS CHALLENGE

- Improve customer experience, speed order turnaround, lower total costs.
- Integrate customer service channels and upgrade communications infrastructure.
- Maintain local presence while delivering an integrated, scalable customer service network.

SOLUTION

Over a five-year period, Grainger:

- Upgraded and expanded intranet and network infrastructure.
- Implemented VoIP and integrated voice and data systems.
- Provided integrated customer sales and service call routing to deliver 24/7 customer service.

BUSINESS VALUE

- Achieved consistent, unparalleled, 24/7 customer service experience across multiple channels.
- Reduced costs while providing backup for peak demand periods at 400+ branches.
- Accelerated incremental revenue through better customer service.

From its founding as a local electric motor distributor in Chicago over 75 years ago, **Grainger** has grown into a worldwide industrial supply and information company with over 15,000 employees and more than 2,000,000 customers. Along the way, it developed a reputation for superior customer service. Today, the company publishes a 3,700 page catalog and has 570 locations worldwide, including over 400 branches in the U.S. alone.

Customers can access Grainger's product solutions through multiple channels including:

- 1,500 sales representatives at the branches
- The Web
- e-procurement services such as EDI
- Phone service, now available 24 hours a day, seven days a week

Grainger.com, launched in 1995, accounts for 20 percent of the company's \$5 billion in annual sales.

As the number of channels grew, managing the customer relationship across these multiple touch points became increasingly complex. In order to continue to improve customer service, Grainger recognized the need to improve and integrate its IT infrastructure, including its data and voice communication networks and the company's information management systems. Integrating the



Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

“WE’RE IN BUSINESS 24 HOURS A DAY, SEVEN DAYS A WEEK NOW, NOT MONDAY THROUGH FRIDAY, EIGHT TO FIVE. IT’S A GROWTH STRATEGY THAT’S ABOUT PROVIDING AN UNPARALLELED CUSTOMER SERVICE EXPERIENCE”

—Pat Davidson, Grainger Senior Vice President of Customer Service

quickly growing Grainger.com Website into the overall customer facing organization was a particularly critical challenge. Working with the [Cisco Systems® Internet Business Solutions Group \(IBSG\)](#) over a five-year period, Grainger implemented a series of changes to the company’s network and communications technologies that, taken together, resulted in a complete transformation of internal processes as well as the delivery of greatly enhanced customer service.

BUSINESS CHALLENGE

A key differentiator for Grainger in a market that includes over 150,000 distributors is its integrated multi-channel customer service model. At the heart of that model is the local branch presence. Grainger’s local presence, combined with an extensive distribution center network and a world-class selection of products and services, makes it the leader in this fragmented market. However, as of the late 1990’s, these local branches were essentially stand-alone operations, each with its own unique technology infrastructure. Many had aging phone systems. A few larger markets even had their own local call centers. The challenge for Grainger was to achieve an unprecedented level of integration of these over 400 local U.S. branches in order to improve customer service and convenience. The goal was to make the entire organization more accessible to the customer—on the phone, in the branches, and online anytime, day or night.

Tim Ferrarell, Grainger’s senior vice president of Information Systems, was with the company in 1999 when revenues from Grainger.com reached just under five percent of the company’s total sales. “Around this time we started to realize that we weren’t going to get ourselves where we wanted to go without stepping up to the plate and re-architecting the overall infrastructure,” Ferrarell says. “We really needed to integrate the various distribution and customer service channels for a unified customer experience. Also, we wanted a way to share resources among the branches to handle the peaks and to access experts from around the country to solve local problems.”

Pat Davidson, Grainger senior vice president of Customer Service, was chief information officer at the time. “Our strength is in being local, so we couldn’t simply shut down 400 branches across the country and consolidate all of our people in one big call center,” Davidson says. “On the other hand, we had a goal—one call does it all. We didn’t like having to tell the customer to call another 800 number to solve a problem. We usually match customer problems with a product solution, so it’s extremely important to navigate to that solution very quickly. Time is money to our customers, as they’re often trying to repair a facility or get a manufacturing floor back up and running.”

SOLUTION

Early in the process in 2000, Grainger recognized that Cisco demonstrated best practices around the use of technology to increase [customer satisfaction](#). Working with Cisco's IBSG organization, Grainger developed a technology plan designed to gain competitive advantage. The plan was built around four key themes:

- Continued focus on Grainger's unparalleled customer service excellence.
- A move toward integrated real-time information systems from batch processing (of orders, pricing, customer communications, etc.).
- Enabling self-service on all levels, internal /external, customers and employees.
- The use of network connectivity to integrate branch resources, streamline processes, improve efficiency, and, most of all, to increase customer satisfaction.

The first wave of this plan was a complete upgrade of the Grainger data network infrastructure and a launching of Grainger Employee Connection to help employees and partners to communicate effectively and efficiently real-time. The second phase included deploying [SAP](#) for all branch customer service operations. The third phase of improvements focused on an end-to-end upgrade of the 400 U.S. branch infrastructure including servers, PC's, printers, inventory bar code scanners, and local networks including [wireless access](#). At that time, aging local branch phone systems were replaced with a voice over [IP \(VoIP\)](#) integrated contact center management solution.

Once the branches were upgraded, Grainger was able to tackle the transition to a fully converged IP infrastructure with integrated voice and data networks. This allowed branch and enterprise resources to use the technology to provide significant improvements in customer service levels. The multiple customer support centers (such as technical support, parts sourcing, credit, etc.) were integrated and 24/7 customer phone service was established.

“CISCO WAS THE SPARK THAT GOT US THINKING ABOUT WHAT WAS POSSIBLE. WE LOOKED AT THEIR BUSINESS PRACTICES AND STARTED THINKING, HEY, WE COULD DO THINGS THAT WAY.”

—Tim Ferrarell, Grainger Senior Vice President, Enterprise Systems

Over time, the entire architecture of Grainger's interaction with its customers has undergone fundamental change, yet one thing has remained constant—a local touch. “The local customer service agent acts as the quarterback to navigate the customer to the solution, without ever letting them go,” Davidson says. “We now have the ability to bring virtually anybody onto a call. Each branch is part of a virtual call center with an incredible array of resources. If the customer calls back after hours, they get a real person on the phone or they can self-serve at [Grainger.com](#)—it's all seamless.”

BUSINESS VALUE

Grainger has been able to increase **productivity** while at the same time improving customer service. Customer calls are handled locally first, but during peak service level periods the overflow customer calls are handled by neighboring branch agents. This market routing design ensures customers are never waiting just because their local branch happens to be busy. After hours calls are routed to a national call center, which means that customers are always guaranteed to be talking with someone from Grainger, generally within one ring.

Says Ferrarell, “We saw our service levels improve significantly from the moment we turned the system on.” Measured service levels improved from 88 percent to 95 percent, meaning that 95 percent of calls are now answered by a live agent within three rings. At the same time, Grainger was able to save US\$3.4 million a year by eliminating one call center.

Incremental annual revenue is projected at US\$60 million, with US\$27 million already achieved year to date (YTD). US\$13 million YTD sales have been booked by the after-hours call center which is currently set up to handle 45,000 calls a year. A wide array of new capabilities has been enabled, from “service observe” coaching to auto attendant Spanish language service.

By focusing its efforts first and foremost on Grainger’s business problems, IBSG has become a valued partner in Grainger’s efforts to grow and service customers profitably. “When we originally got involved with Cisco, we were interested in reducing our cost of operations,” Ferrarell says. “The relationship caused us to think differently about how we serve and staff our branches, about how we bring services to market. Improved productivity has been an important side benefit of the process.” And Davidson adds: “Cisco has really committed to being a partner with us, to helping us get through the change management piece.”

NEXT STEPS

“Where we’re going next is to provide truly unparalleled customer service,” Davidson says. “We have an opportunity to build on the 24/7 capabilities to transform the way business in our space works, the way customers view us as problem solvers. Cycle time to problem resolution and access to information are critical to our customers. The new frontier is being able to solve their problems, no matter when they arise or how they choose to interface with us.”

MORE INFORMATION

The Cisco Internet Business Solutions Group (IBSG) is a global consulting team that helps customers transform their organizations by strategically applying advanced technologies and business process innovation. A unique combination of industry experience, business, and technical knowledge enables IBSG consultants to serve as trusted advisors to many of the world's top organizations.

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