

Understanding the Order Fulfillment Process

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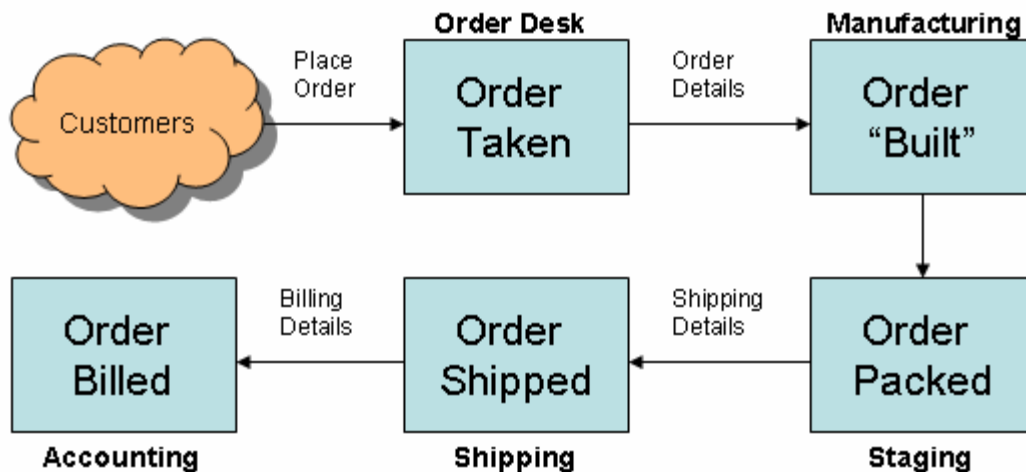
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Introduction

The “Order Fulfillment Process” is defined as the process involved in receiving an order, performing work related to that order, and then delivering the end result to the customer. All business have some kind of order fulfillment process, whether they are a service related business, or a product related business. Understanding the basics of a company’s order fulfillment process often can help you identify selling opportunities; ways for you to add value to the sale by improving the customers process.

Components of the Process

Figure 1



In the simplest representation, the order fulfillment process has five distinct processes represented as blue boxes in *Figure 1*. The text in the boxes represents the activity performed. The text directly above or below the box represents the function performing that activity. The text above the arrows represents the data that is exchanged between or through the process. All business have these five processes, and these five departments. Sometimes, in small companies, they are all performed by one person. In service related industries, “manufacturing” is called by another name such as “loan processing” or some other relevant reference.

Typically the opportunities available are in understanding how the data is exchanged between the processes. Asking questions about how this is done will expose weaknesses. Understand that the exchange of data can take on many forms. On one end of the spectrum it can be as rudimentary as exchanging the information verbally or by handing off a piece of scrap paper with handwritten notes on it. On the other end of the spectrum is the electronic exchange of data using computers connected over a local or wide area network.

Order Desk

All companies take orders of one sort or another, otherwise they'd have no business to operate. You need to ask questions about how the order input occurs. Examples of relevant questions and possible answers are:

Q: How do your customers order products/services from you?

A1: Over the phone

A2: By fax

A3: Via the internet

A4: In person, over the counter.

Q: How do you record the order?

A1: Write out the order on a form (*or some other paper medium*).

A2: Input the information into some sort of computer program or system.

Your objective in this line of questioning is to determine if the process at this particular step is manual (recorded on paper) or automated (input into a computer).

Manufacturing

A company producing a product will obviously have manufacturing. Wholesalers and distributors will have some sort of warehousing operation. Mortgage companies will have loan processors, attorneys will bill hours, the sales support department of a company will generate proposals or other media. The point is that every company, and department for that matter, "produces" something. Examples of relevant questions and possible answers are:

Q: How do your orders get communicated to the people that have to fulfill them?

A1: Sales hands us the order form.

A2: Our "system" lets us know what the next order we need to produce is.

Q: What are the steps in your "production process?" (*Does one person complete each order, or are several people/steps involved?*)

A1: We have written instructions on what needs to be "assembled" for each of the products on an order.

A2: We know how to "assemble" the products on each order from our on-the-job training.

A3: Our "system" instructs us on how to "assemble" each of the products on the order.

Q: What happens after the order is produced?

A1: We put it in inventory.

A2: We send it to shipping.

Again, your objective in this line of questioning is to determine if the process at this particular step is manual (recorded on paper) or automated (input into a computer).

Staging

Staging is the process of collecting all of the products on an order, and boxing them up in preparation for shipping. Many companies do not make the distinction between staging and shipping, but they are two distinct functions, both often performed by the personnel in the shipping department. Examples of relevant questions are:

- Q: If there are multiple products on an order, how is what needs to be on that order communicated to the warehouse/shipping personnel?
- A1: They receive a copy of the whole order (*verify that it is on paper*) and they use that as a check list to make sure that everything is there.
- A2: They pull the order up on the computer and use it as a check list.
- A3: The “system” forces them to scan each item on the order, and the “system” verifies it is what was ordered and lets them know if the order is short anything.

Again, your objective in this line of questioning is to determine if the process at this particular step is manual (recorded on paper) or automated (input into a computer). Note that if you get answer A3 above, then it means they are using bar code scanners, which may be important later.

Shipping

This is the step we are all familiar with. But don't get too cocky. Review the questions and answers below and see how much there is that you are not drilling down on today.

- Q: How many people are involved in the shipping process?
- A1: *The answer you receive here should give you some preliminary indication as to whether or not the process is distributed or centralized, and should be the first clue as to whether or not they are suitable for Speedship or Easyship.*
- Q: How do those people receive the information they need to prepare the shipping label?
- A1: They are told.
- A2: They are given a handwritten note.
- A3: The order form accompanies the product to the shipping area. (*Often called a “Traveler.”*)
- A4: They pull it up in our system based on the order number.
- Q: How do they prepare the shipping label?
- A1: They write it out on an air or way bill.
- A2: They use preprinted air or way bills.
- A3: They use the internet
- A4: They use the “shipping system.”

Q: *(If they are using some sort of computerized system...)* How does the shipping information get input into the system?

A1: They type it in.

A2: They import a file.

A3: They scan the order barcode and the shipping information is updated on the screen.

Again, your objective in this line of questioning is to determine if the process at this particular step is manual (recorded on paper) or automated (input into a computer). If it has been automated up to this point, and suddenly they go manual – they type the information into the shipping system – then there is more than likely an opportunity for us to help them automate this step too if they qualify for Easyship. In the case of dedicated systems, they could also be pulling up the shipping/order data by typing the order number into the system, which could be further improved by our adding a barcode scanner. In this case, even though they appear to be automated, we can still take them one step further.

Accounting

How is the customer billed? This is the whole purpose companies are in business. If they don't bill, they don't collect revenue, and subsequently they aren't profitable. Most companies recover shipping charges somehow. Some simply build it into their pricing, some charge their customers a flat fee, and some bill a variable rate which they may or may not make a profit on. Understanding how the billing is done will help you understand what billing options may be of value, such as Reference Code Billing; what medium would be desirable, such as the Senders Receipt or the Shipment Detail Report; and whether or not it would be desirable for them to add to their shipping charges a handling charge. Examples of relevant questions and possible answers are:

Q: How do you bill your customers for the freight associated with their order?

A1: We build it into the price of the product.

A2: We charge them a flat fee for each shipment.

A3: We bill them back the cost of each shipment.

(The following if they bill their customer back...)

Q: Do you include the invoice with the order at the time of shipment?

A1: Yes.

A2: No.

Q: Do you mark up the freight charges associated with the order (and if so by how much)?

A1: Yes.

A2: No.

Q: How is accounting made aware of the charges associated with a particular order?

A1: It is written on the order form by the shipping department before that paperwork is forwarded to accounting.

A2: The rate estimate that prints with the shipping label is stapled (or otherwise adhered) to the order form before it is forwarded to accounting.

A3: Accounting pulls down a day end report from the shipping system.

A4: Accounting looks it up based on the rate tables our vendor has given us.

Q: (*If they are marking up the charges...*) How does accounting know how much to mark the shipping charges up by?

A1: Shipping marks it up and gives them that figure.

A2: They mark it up by a fixed number of dollars, or percentage.

A3: The estimate of charges already includes the mark up in it.

Again, your objective in this line of questioning is to determine if the process at this particular step is manual (recorded on paper) or automated (input into a computer). More often than not, in this step accounting is getting the information manually. There is little we can do to improve this step other than to help make that manual process easier by auto-calculating the handling charges, printing the Sender's Receipt, or educating them on how to pull a day end Shipping Detail Report.

Final Comments

Your questions about a company's order fulfillment process should be orchestrated to determine where their processes are automated, and where they are not. You DO NOT have to be a systems expert or technology guru to find this out. Is the information/data being passed around on paper, or is it being captured electronically? If they are already using systems, is information being typed into the systems, or is the information somehow updating electronically from one step in the process to the other. Once you understand the nature of the end-to-end data flow, then you will know where some of your opportunities are.

Do not limit yourself to the questions in this document. Some of them may not even apply to the prospect you are trying to acquire. Use your head and learn to identify and explore areas that may hold promise. Practice doing this by actually doing it on your sales calls. You will get comfortable with this by no other means. Take note of the answers you get and build your knowledge base. It will help you in the future. Be reasonable. A prospect who is automated from Order Input through Staging, but is keying in the shipping information, is more than likely a strong, strong candidate to offer to automate that last step for them. A prospect that is handwriting airbills will more than likely be terrified if you suggest that they do much more than simply begin using the internet to produce their airbills.