7 Ways Your Competitors are Reducing Costs and Improving Customer Service—and How You Can Too.

I. Logistics on the Frontline

According to industry analyst Aberdeen Group, moving business operations into the next millennium will be a challenge requiring the creative combination of business acumen and computer technology savvy. Among those meeting this challenge on the frontlines are logistics and warehouse managers, who are actively seeking creative means to drive down costs from order-fulfillment processes while still supporting customer service.

The basic tactic being employed to realize this objective is the identification of ways to increase fulfillment speed while increasing accuracy. Increasing fulfillment speed results in greater throughput, which in turn results in increased inventory turns, better on-time delivery, and significantly reduced expedited freight costs. This drives both revenue and cuts operational expense—solid bottom line benefits.

Increasing accuracy means customers get what they want, which improves customer satisfaction and minimizes the cost and labor associated with processing returns. The latter savings are particularly important. Costs resulting from shipping errors are borne throughout the fulfillment process—products may have to be shipped back to the manufacturer or distributor; put back into stock; and the correct product picked, packed, and shipped at costly expedited rates. By building accuracy into the fulfillment process, logistics and warehouse managers are eliminating this inefficient use of labor and capital—streamlining operations, improving workflow, and keeping customers satisfied.

As the momentum to integrate back-office systems with customer-facing applications continues to build across all industries, the fulfillment processes managed by logistics professionals take on increasing importance precisely because, when efficiently managed, they improve operations both within the enterprise and in the supply and demand chain. This is critical to competitive vigor. As Stanford University professor Hau Lee has put it, "The battle for market supremacy will not be between enterprises, but between supply chains." And the relative strength of those supply chains depends in no small part on the efficiency and accuracy of fulfillment operations and logistics procedures within the companies participating in that networked commercial activity.

II. What Market Leaders are Doing, And What You Can Do to Become One

In order to assess the strategic and tactical actions that companies are taking to reduce fulfillment costs while improving customer service, HighJump Software has surveyed operations across the range of vertical markets it serves. Seven principal steps are being taken by companies on the leading edge of logistics practice, all of which can be reasonably implemented by any company committed to improving its fulfillment processes. Although these steps are not exhaustive, they are the most common and easily implemented steps a company can take to rapidly improve its fulfillment and logistics operations.

1) Integrate with Order-entry Systems

One of the most common barriers to rapid and cost-efficient order fulfillment is poor or nonexistent integration between the disparate computing systems used in the order-fulfillment process. A recently published survey indicated that more than 90 percent of all orders placed on the Internet end up being rekeyed into at least one other system. The result is increased manual

labor, a greater opportunity for error and inaccuracy, and the establishment of built-in delays within the order-fulfillment process. Such practices are costly, inefficient, and an ongoing threat to customer relationships—no longer acceptable in today's hyper-competitive markets.

By moving to integrate all elements in their order-fulfillment process, companies are not only reducing manual labor—labor that can be reallocated to tasks that further speed fulfillment or otherwise enhance profitability—but also eliminating costly input errors that are time-consuming and destructive to customer satisfaction. The return on integration investment is very fast, typically paying for itself in 12 to 18 months—something that strongly appeals to upper management. Furthermore, the ongoing reduction of cycle times drives revenue while supporting the company's relationship with new and existing customers.

2) Build in Adaptability

One of the principal drivers of today's business competition is the accelerating pace of change—a phenomenon established, responded to, and furthered by technology, particularly the advent of the Internet and Web-based business processes.

One of the most important business effects of this development has been a significant rise in customer demand. In an age when the Web browser has become a universal passport to information, customers want what they want, when they want it, and how they want it. In this demanding environment, exceptional customer service has become a basic requirement of doing business—and a major challenge for those managing logistics.

Companies are meeting this challenge by building adaptability into their fulfillment processes, accommodating customers who make changes to orders right up to—and even after—shipment. This way, customers can be assured of receiving what they want—even if what they want changes during the fulfillment process.

The most powerful means of achieving this adaptability is providing real-time online visibility—giving customers online access to real-time fulfillment and inventory availability to help them make more informed decisions and better manage their own activities. In this way, potential issues can be addressed before ordering, or after order tracking. Better planning from the customer reduces the cost of provisioning; eases the burden of customer communications from logistics management and customer service staff by providing a means of around-the-clock self-service; and smoothes workflow, both within and outside of the warehouse. In today's dynamic markets, such adaptability is both a competitive advantage and a value-added service to the customer.

3) Confirm with Bar Codes

When picks are confirmed by means of bar code scanning and paperless picking is used to generate the appropriate documents at the appropriate time and place, both accuracy and worker productivity are increased, because the need for manual confirmations (i.e., checking and double checking) is minimized.

Filling out paperwork is a dull and time-consuming process. Particularly in warehouses that incorporate a large amount of sorting, companies often allocate hordes of personnel simply to sort product before picking—a process that may also involve extensive paper documentation, adding hours or days to the fulfillment process.

By leveraging bar code scanning to automate the picking process, logistics managers are saving significant time and labor and greatly improving accuracy. The real-time data that is provided through this process also improves efficiencies throughout the fulfillment process, simply because

actual data is much more powerful than theoretical projections when planning or analyzing activities.

4) Automate Picking Processes

A variety of methods are being implemented to automate formerly paper-based picking processes for greater order-fulfillment speed. The two most common methods are material handling automation and RF-directed picking.

Material-handling automation techniques such as carousel, conveyor, and sortation systems have been shown to effectively increase throughput by breaking up order-fulfillment work into more manageable steps; accordingly, they are being implemented much more frequently as part of standard logistics practice.

RF-directed picking saves time by instructing workers on where to find orders to be picked. It also allows more effective batch picking by enabling the picking of multiple orders simultaneously.

In both cases, automation technologies greatly speed the order-fulfillment process—and they quickly pay for themselves in terms of increased throughput capacity and greater customer satisfaction. This in turn leads to higher levels of repeat business and larger order sizes.

An excellent example of this paradigm occurred at Cardinal Glass, a Milwaukee-based provider of insulated and window-quality glass. In mid-1999, late deliveries and inaccurate shipping orders threatened Cardinal's relationship with Andersen Windows, its most significant customer. Cardinal was using an ERP system that could not keep pace with Andersen's increased demands. As Andersen's sole supplier, Cardinal Glass knew it needed to quickly make drastic improvements in its order-fulfillment service.

To solve the problem, Cardinal turned to HighJump Software's Warehouse Advantage Suite, a Web-enabled warehouse management and supply chain execution solution that provides accurate, real-time data across the enterprise.

Warehouse Advantage Suite was easily integrated into Cardinal's existing operations, streamlining the company's fulfillment processes. Using the new system, Andersen places orders electronically, resulting in a virtually paperless process for Cardinal. Warehouse Advantage Suite incorporates a bar code scanning process that makes picking and shipping much more automated.

Using the HighJump Software solution, Cardinal employees scan each product rack to verify the correct items before they are picked for delivery—a process that results in much greater accuracy and efficiency. The solution allows floor-level pickers to efficiently pick panes of glass; bring them to a staging area; and properly slot them—not just in the right racks, but also in the correct order. With Warehouse Advantage Suite, the company's reliance on visual paper picks has been virtually eliminated.

5) Automated Shipment Planning (ASP)

Automated shipment planning is yielding huge gains in order-fulfillment speed in operations that use mixed pallets and packing. By using advanced fulfillment software to predetermine optimal stacking and packing arrangements, ASP frees workers from this complex and typically tedious task—saving the time that is often lost to reconfiguration and repacking as workers "find their way" to a workable stack and pack solution through trial and error. The physical fulfillment process can easily be optimized by accounting for the physical characteristics of the items to be picked. With automated shipment planning, workers can pick to a predesignated container—speeding the packing step and simplifying the pallet-building process. Because it enables goods

to get out the door faster, more accurately, and at appreciably less expense than without ASP, it's not surprising that logistics managers are moving rapidly to implement this practice.

6) Automate Shipment Verification

Logistics managers are automating verification to increase accuracy and greatly enhance the speed of performing this function. By using bar codes and scale weights rather than manual or visual verification, the checking step can easily be automated—validating that the containers actually contain what is expected and eliminating both time and expense from the total picking, packing, and shipping process.

7) Sourcing Orders Based on Facility Workload

Logistics managers in companies with multiple warehouses and distribution centers are applying technology to optimize utilization of capacity. This same technology is also being used to streamline workflow, based on how overall demand impacts workload and capacity in individual storage and shipping centers—going beyond mere assessment of shipping costs.

For example: An item typically sourced and shipped from Warehouse A may in fact be more efficiently handled by Warehouse B—if Warehouse A is approaching capacity limits and Warehouse B is in a slower period. The idea is to view the enterprise's resources as a whole in order to maximize flexibility, improve responsiveness, and cut order-to- fulfillment cycle times.

III. Tuning Up the Engine

In today's competitive environment, everything moves faster than before. Capturing market share is not about the big beating the small; rather, it's about the fast beating the slow and the accurate beating the inaccurate.

In this constantly changing business climate, those companies who understand that the imperative to change speaks to the optimization of logistics throughout the organization will be much better positioned to succeed than those who continue to address fulfillment issues using only traditional methods.

In its " Report on Supply Chain Management," AMR Research noted that a new focus that would facilitate the flow of information was becoming apparent in the application of information technology. That trend was toward greater speed and accuracy. As the report noted: "Reverberating across all industries, through every layer of management, the hum of a finely tuned engine is revving up …." So the question faced by logistics managers is not if, but rather how and when to tune up their fulfillment engines to reduce costs and improve customer service across the enterprise.

Companies need logistics systems that can handle the complexity of their business at the pace and scope of today's dynamic business competition. This challenge requires solutions that can provide both real-time information and validation of action—as well as extended visibility into the fulfillment and logistics process for customers, suppliers, and those within the enterprise.

One thing is certain: The decisions a logistics manager makes or fails to make will soon become evident in the marketplace. It's an environment in which companies that incorporate warehouse management and supply chain execution solutions—in addition to streamlining their current logistics processes—can seize competitive advantage in a market where many companies are still struggling to come to grips with earlier IT investments and current fulfillment practices.

To help executives take advantage of this opportunity and gain the fulfillment efficiencies that they need to succeed, HighJump Software has formed a strategic partnership with leading logistics consultant Tompkins Associates.

The HighJump/Tompkins relationship combines HighJump Software's family of uniquely adaptable and affordable Internet-based supply chain execution and warehouse management solutions with Tompkins knowledge of best practices, logistics strategy, and implementation services.

Together they can empower you with real-time visibility and collaboration across the supply chain, turbocharging your fulfillment processes to greater throughput and a shorter order-fulfillment cycle—and generating the cost efficiencies and customer satisfaction necessary for market leaders.

About HighJump Software

Founded in 1983, HighJump Software is a premier provider of the most adaptable, Internet-based supply chain execution solutions that deliver competitive advantage to manufacturers, distributors, e-businesses, and third-party logistics companies. HighJump Software offers warehouse management, e-fulfillment, and data collection solutions that can be easily and precisely tuned to fit the operational needs of mid-size organizations and divisions of Fortune 1000 companies. HighJump's supply chain execution systems are in use at more than 700 companies today. Headquartered in Eden Prairie, Minnesota, HighJump Software can be reached by e-mail at info@highjumpsoftware.com; by phone at 877.445.4403; or by visiting the Web site at http://www.highjumpsoftware.com.

About Tompkins Associates

Tompkins Associates is the leader in Total Operations consulting, integration and implementation. With three decades of experience, Tompkins provides expertise in Material Handling Integration, Supply Chain Synthesis, warehousing, logistics, order fulfillment, manufacturing, systems implementation, construction services, organizational excellence, quality and maintenance. Tompkins Associates is headquartered in Raleigh, NC and has offices throughout the U.S. and in Warwick, UK; Toronto, Canada; Buenos Aires, Argentina and Monterrey, Mexico. Visit http://www.tompkinsinc.com for more information.

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