

# InfoTrak

INFORMATION FOR BETTER DECISIONS

## Is Your Fulfillment Program Reaching its Full Potential? (and would you know if it weren't?)

**“Without a yardstick, there is no measurement. And without measurement, there is no control.”**

— **Pravin M. Shah**  
**Management Consultant**

That quotation is true of most things, including your fulfillment program. However, as busy professionals, often times we don't examine and measure our programs unless there's an issue—like an upcoming promotion requiring 1,000 brochures, which you *thought* you had in stock only to find out that the report you relied upon was incorrect. Now, unfortunately, you're forced into damage control mode. But what were the signs leading up to this problem? Could this situation have been prevented?

In this issue of *InfoTrak*, we'll examine some of the key components of a fulfillment program and point out the areas for potential break down—and how to get in front of these issues *before* it's too late.

### TECHNOLOGY

Technology is an important component in your fulfillment program. It's your way of ordering material. It's your window to viewing your inventory levels. It's your opportunity to track shipments. It's your fulfillment lifeline.

But not all fulfillment solutions offer integrated systems. When considering a company, ask to see how the Graphical User Interface (GUI), which is what you see on your computer, integrates with the fulfillment vendor's operating systems. For instance, when you place an order from your computer does it systematically generate action at the vendor's operating system? Does it decrease the items ordered from your inventory—in real time? Does it generate shipping labels and tracking information? Or, does someone at the fulfillment company receive your order and then re-key all of the information into individual, unconnected systems—greatly increasing the chance for human error. When it comes to technology, just about any company can put up a glitzy ordering web site—the real value is what's behind it on the vendor side.

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How to determine if the following areas are working for your fulfillment program (and what questions to ask to make that determination)

- Technology
- Business Intelligence Reporting
- People
- Storage
- Performance Metrics
- Strategic Business Overviews



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And a successful technology experience is more than gibabytes and bandwidth. It's the resources that support the systems. Whether you're interviewing potential fulfillment companies or just sizing up your current vendor, ask about the financial and human capital dedicated to technology. Does the fulfillment company have a dedicated, experienced technology staff solely committed to maintaining system availability? Does the company reinvest a portion of its revenues, annually, to specifically enhance its technology offering? Does the company supply regular communications informing you of system improvements?

## BUSINESS INTELLIGENCE REPORTING

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The importance of accurate, timely, accessible reports can not be overstated. Reports are your opportunity to analyze current inventory levels, past activity and future trends. It's information that is vital for budgeting and planning purposes. And, unfortunately, it's an area where many fulfillment programs come up short. Here are some key questions to ask when evaluating the comprehensiveness of a reporting system:

***“One accurate measurement is worth a thousand expert opinions.”***

— Grace Murray Hopper,  
1906–1992; Admiral,  
U.S. Navy

1. **Are reports accessible, online, 24/7?** Imagine those late nights in the office finalizing your new marketing budget. You need a clear snapshot of the last 12 months worth of collateral usage. But at 9:00 P.M. your fulfillment vendor is not answering the phone and this budget is due on your boss's desk by 8:00 A.M. tomorrow morning. An online reporting feature is a life saver.
2. **Is the information relevant?** Reports are only as valuable as the data elements that are captured. At a minimum, ask your fulfillment vendor if they support the following reports: current and historical inventory usage; backordered inventory with quantities; projected life of inventory by item; reorder point of inventory; receiving by item. These reports are essential for analyzing your fulfillment program. These five reports will keep you up-to-date on inventory levels and help you manage low stock items—*before it becomes an issue.*
3. **Is the information accurate?** Inaccurate inventory levels will render your reports useless. The best way to mitigate against this is to inquire about the technology behind the reports. Ask whether or not the reporting feature is integrated with the ordering software. A fully integrated fulfillment program—with all systems linked to each other—will eliminate the human error associated with re-keying information.

And reports do more than help with budgeting and planning. You should also be able to view who ordered what material, in what quantity and to which budget code. This can help with eliminating “collateral hoarding” and, if you know a Sales Reps performance, you can correlate the collateral ordered to the dollar amount of new business. This last calculation should help in cost justifying collateral development. Furthermore, personnel are more likely to plan ahead and less likely to use expensive priority shipping methods, such as FedEx® Overnight, if they know the program is being managed and can be tracked back to them.

Lastly, related to reporting, you should receive information on low, out-of-stock, and back-ordered items via email to keep you up-to-date. Your fulfillment client services team should be able to generate reports for you as well as give you the option to generate your own reports—anytime of the day or night.

## PEOPLE

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It's clear that in today's high-tech, fast-paced environment the human side of business is often overlooked. When it comes to your fulfillment program, state-of-the-art technology is crucial, but the people with whom you interact with are equally important.

A top-notch fulfillment client services team can make the difference between an okay program and a strategic, business enhancing program. Your client services team should be an extension of your business—with not only a full understanding of your materials, current and past marketing campaigns, upcoming tradeshow and meetings, but also a clear knowledge of your overall business objectives and the metrics with which you measure these goals.

Of course, finding a fulfillment partner that offers this type of team may be easier said than done. It's nice to think that all of your vendors care about your business as much as you do, but the reality is usually quite different. How do you evaluate a fulfillment vendor's personnel, *before* you commit to a fulfillment partner? Or, how do you evaluate your current provider to uncover some important information on your client services team? Here are some recommendations:

1. **Ask to meet your client services team.** It's surprising, but many vendors will not commit specific staff members until they have a signed contract. If you're a large client, the fulfillment vendor may need to hire in order to properly service your account. This could signal a red flag as you do not want a totally green staff handling your business.
2. **Ask how long team members have been with the fulfillment company.** As with anything, practice makes perfect. And when you are choosing a vendor to handle your company's image (through the fulfillment of your marketing materials), you want seasoned professionals on your team.
3. **Ask how the team members are compensated.** Have you ever dealt with the owner of a business who is very concerned and committed, but his employees are less than attentive? The owner, obviously, has a financial stake in the success of his business. The employees, by contrast, are paid an hourly wage or salary and do not typically have a financial stake in the company. This compensation structure, typical of most companies, does not incent employees to drive the profitability of the company, as they do not share in the profits. Look for a fulfillment company that shares its profits with its employees—which directly and concretely links good, accurate service with monetary compensation. In other words, the "better, more efficient, more effective" a company is, the more profitable it becomes. Remember, businesses become profitable because they satisfy their customers' needs in a timely manner with few mistakes.

4. **Look at the team members' workstations.** Chaos creates chaos. And a messy, unorganized workstation could be indicative of how your account is handled. People that are organized are typically detail-oriented and good at prioritizing projects.
5. **Ask about the back-up strategy.** There's nothing more frustrating than hearing "Joe's on vacation this week. Can it wait until Monday?" Your fulfillment partner should have a solid back-up strategy, complete with documented procedures on each account so vacations and sick time are invisible to you.

## STORAGE

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How and where your material is stored is important. But how you're charged for storage is also important. Let's examine these two components:

1. **Storage location.** The best way to evaluate a fulfillment vendor's storage locations is to physically tour that facility. The facility should be neat, well lit and organized, with the material locations clearly marked. The packing, shipping and kitting stations should also be well organized with a clear system for identifying specific jobs. All fulfillment personnel should be focused on their tasks, working well together to accomplish a mutual goal. Again, a physical tour of the fulfillment facility should give you a comfort level for the warehouse component of a program (and, an unannounced visit never hurts!).
2. **Storage charges.** Promotional campaigns, by their very nature, mean you generate a lot of material (postcards, point-of-purchase displays, direct mail kits, etc.), send it to your fulfillment vendor who then quickly sends it out to your designated list. Storage charges should reflect a period of time and space that is representative of the time and space your inventory is actually stored with your fulfillment vendor. We recommend that you ask your current or potential vendor to invoice you based on a snapshot of inventory on the first or last day of the month. And make sure that you are not paying for a "fixed" inventory location—which does not reflect your inventory levels as they decrease.

In addition, your inventory should be repositioned to the least spacious (and least costly) location possible, at the earliest time possible. When a pallet location becomes small enough to be stored in a box location, then it should be repositioned to that location—creating a less costly storage locale for that particular item number.

## PERFORMANCE METRICS

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The first step in assessing a fulfillment solutions' performance metrics (either a third-party fulfillment vendor or an in-house operation), is to ask what procedures are being measured and review the criteria for evaluation. But learning what's measured and what the performance goals are is not enough. It's important to review the past history to determine if the program is making the grade. Any company can claim their standards are 99 percent accuracy, but the *actual* performance may tell a different story.

Here are a few categories to inquire about when you're evaluating a fulfillment solution:

- Turnaround standards for bulk fulfillment
- Turnaround standards for customized fulfillment
- Turnaround standards for kitting assembly fulfillment
- Inventory accuracy standards
- Receiving time standards (dock-to-stock)
- Safety record
- Invoicing accuracy

Each of these categories should have optimal performance goals, quantifiable evaluation criteria, and past history of evaluation.

## **STRATEGIC BUSINESS OVERVIEWS**

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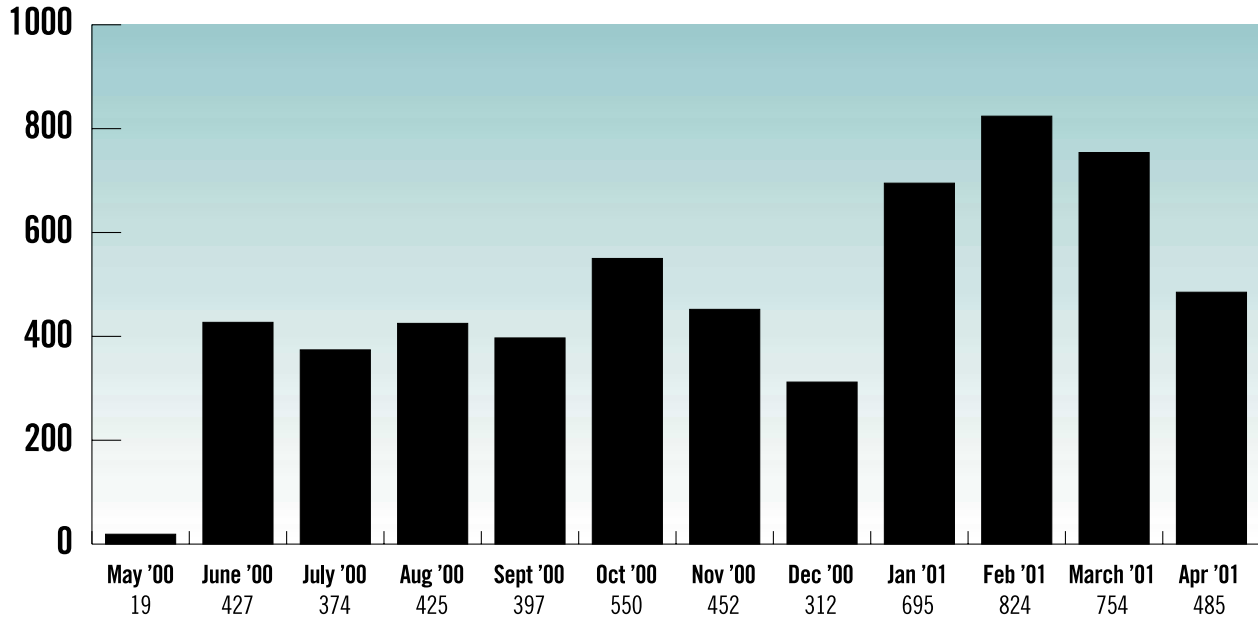
Managing your inventory is not enough. You need to be able to ***predict***, based on accurate past history, in order to plan for the future. As an extension of your business (something we've identified as important), your fulfillment client services staff should be able to provide valuable and insightful information that will help you make strategic decisions.

Regular "Strategic Business Overviews" is an excellent way to stay on top of your fulfillment program objectives. During these face-to-face meetings, you and your clients services team leader should accomplish the following:

- Review business objectives
- Examine inventory activity (especially irregular highs and lows)
- Review receivings, storage and disposals—make sure that storage is adjusted in conjunction with receivings and disposals
- Trend activity
- Determine needed adjustments

Your client services team leader should provide an explanatory document with accurate numbers and percentages that clearly illustrates your program's activity during a set number of months. The team leader should also be able to provide recommendations, based on your historical data, that will help enhance your program and increase your overall bottom line.

### Highlights of Activity: Bulk Orders



- 2000 bulk order average: 370 orders per month
  - 2001 bulk order average: 690 orders per month
- Current 2001 trends reflect a 86 percent increase over 2000 activity

A well-tuned fulfillment program should be seamless and virtually effortless for users. But inaccurate information, out-dated technology, poorly trained and unmotivated client services personnel and general lack of business-enhancing support can make your program a frustrating and costly endeavor. The good news is by increasing your awareness of the pitfalls and learning the appropriate ways to examine your program, you can significantly mitigate against unforeseen and potentially productivity-stopping situations. And when you have a well-run fulfillment program in place, you're free to focus on *your* business—not the business of fulfillment. Allowing your business to stay focused on its core competency is a key element for success.

For more information on evaluating your fulfillment program, or to receive back issues of other *InfoTraks*, please contact your local Comac Dedicated Fulfillment Center or Ralph Mannheimer, Vice President at 609-777-9611. 