

InfoTrak

INFORMATION FOR BETTER DECISIONS

YOUR FULFILLMENT PROGRAM

Assessing and Implementing Quality Assurance

“A company can not buy its way into quality—
it must be led into quality by top management.”

— W. Edwards Deming

When you think of quality, you may think of a sturdy product, something well built that doesn't easily break. But what about quality as it relates to a *service*? How do you rate, for example, the quality of the service you receive when you have your vehicle repaired? How about the quality of the service you receive from an airline? Quite probably you think about the attitude of the people who deliver the service and whether or not your expectations

were met, based on the service level promised.

Was the auto service technician polite and responsive to your questions, and did he/she inform you of all of your options?

Was the ticketing agent courteous and helpful, even if your flight was delayed?

Attitude is certainly a key component in evaluating the quality of a service. Accuracy is another. You want the service technician who repaired your car to select the correct part, not something “close.” You expect your baggage to arrive at your destination with your flight, not the next day.

When considering quality as it relates to service we must consider the human factor. People are fallible. They make mistakes. But many mistakes can be avoided when people are motivated to do their best and top management clearly defines what quality should look like.

WHY IS QUALITY ASSURANCE CRITICAL?

When it comes to collateral fulfillment, quality assurance is important for many reasons, including:

- **Company Image:** First and foremost, your company image is on the line. Collateral that arrives late conveys the message to your customers that you don't care about their time. And literature that arrives damaged or with missing components is a reflection of your company's image.



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- **Internal Satisfaction:** Your fulfillment program can affect your day-to-day life because it affects the people you interact with and your ability to be productive. If you or your staff are constantly involved in checking inventory accuracy, disputing invoices or verifying that shipments arrived on time, you're being taken away from other functions that need your attention.
- **Sales Revenue:** Your sales force needs tools to perform, and getting the right collateral when and where they need it is critically important. A salesperson who does not have quick access to collateral that's in good condition makes a poor impression on clients and prospects or, worse, misses sales opportunities.
- **Bottom-Line Savings:** Overall cost savings is another area affected by quality assurance. A marketing support program based on inaccurate inventory levels, for instance, can result in faulty planning and over- or under-budgeting. Paying for unnecessary storage, excess printing or rush charges is another cost-draining affect of poor quality assurance.

“People talk about quality as if it is a project or race to be completed. The reality is that total quality is a process.”

— James Peggie,
The Quality Observer

EMPLOYEES AS PART OF THE QUALITY ASSURANCE EQUATION

A company that manufactures widgets can control the quality of its operation by regularly monitoring and updating its machinery. A company that offers a service-based solution, like collateral fulfillment, must similarly have a system in place to ensure quality from its workforce. Because a human workforce is more dynamic than machinery, companies should strive to motivate and train employees as well as develop and instill a customer-focused approach.

According to the late W. Edwards Deming, a leader in management philosophy for establishing quality, productivity and competitive positioning, “individuals must undergo a transformation to gain profound knowledge”—the kind of knowledge that promotes quality in business. Deming wrote:

The first step is transformation of the individual. This transformation is discontinuous. It comes from understanding of the system of profound knowledge. The individual, transformed, will perceive new meaning to his life, to events, to numbers, to interactions between people.

Once the individual understands the system of profound knowledge, he will apply its principles in every kind of relationship with other people. He will have a basis for judgment of his own decisions and for transformation of the organizations that he belongs to.¹

A MOTIVATED WORKFORCE

“Spread profits to workers as a team (but eliminate merit pay for short term performance). Enlist pride of workers in improving the system; empower people to take charge of work environment, safety issues, etc.; encourage pride of workmanship in delivering the product.”

— W. Edwards Deming, *Deming’s Principles of Total Quality Management (TQM)*; distilled from his works and 14 points by A. Mead, MD

Quality assurance is the responsibility of each and every employee—from the president of the company to the warehouse worker. But how does a company instill a quality assurance philosophy? What motivates a line worker to perform to the best of his/her ability?

One methodology is to adopt a participative management style, such as an Incentive Compensation Program (ICP), which gives employees a voice in decision making and ties those decisions to the company’s profit and loss statements. An Incentive Compensation Program is designed to reward results and good decisions—in the form of profits above a minimum-operating threshold. Because employees have ownership for the P&L, they develop as business people—learning to think and act in strategic manners that benefit the company. Obviously, companies need to serve their customers in order to remain profitable, and an Incentive Compensation Program ensures that all employees understand that critical relationship and strive to nurture business. An Incentive Compensation Program also encourages long-term employment and motivates teams to perform quality work.

This philosophy is echoed by James Peggie of *The Quality Observer*. According to Peggie, “Real, continuous improvement is achieved by involving people at the source who have a vested interest in eliminating recurring problems. Front-line employees are now being asked to investigate each problem, determine the cause and recommend a corrective action to reduce or eliminate the recurrence. When the participants understand that their assistance is vital and that they are making a significant contribution, the results are impressive.”

CONTINUOUS TRAINING

Training is another important means of increasing quality. Just as sales professionals need the right printed materials to win deals, people need training to perform quality fulfillment operations. Because training is a long-term investment in an employee, companies need to remember that individuals learn different ways and at different speeds.

“All levels of the organization must be involved, starting with full commitment at the top. Eliminate organizational and physical barriers to teamwork.”

— W. Edwards Deming, *Deming’s Principles of Total Quality Management (TQM)*; distilled from his works and 14 points by A. Mead, MD

With the end result of empowered, quality-focused employees, companies should look for ways to provide continued learning opportunities—in a variety of ways: classroom, on-the-job, individual and team sessions, coaching and mentoring.

A CUSTOMER-FOCUSED APPROACH

A customer-focused approach is dependent upon a good working relationship between those who order collateral and those servicing their needs. Having a primary contact—someone who knows your business, your goals and objectives—can make life a lot smoother. When working with an outside fulfillment vendor, take the time to educate your client service representative on your internal processes and expectations. A knowledgeable, “keyed-in” client service representative can be your best quality assurance checkpoint.

Another part of developing and implementing a customer-focused approach is setting mutual goals and expectations in order to benchmark performance. Whether you use a fulfillment provider or perform fulfillment in-house, it’s important to establish quantifiable goals and objectives and include documentation on how and when these areas will be measured. Quarterly reviews that trend activity are often quite valuable in developing marketing plans and budgets. Also, by reviewing activity on a monthly basis (versus annually), you have the opportunity to adjust your marketing programs if activity is off track. If you use an outside fulfillment vendor, ask to have your activity results benchmarked against companies in your industry with similar volumes. Then, take the opportunity to discuss potential top-line and bottom-line improvements.

Potential areas to review include:

- Order activity
- Storage activity
- Postage & freight activity
- Ordering activity—who is ordering and via what method (web, phone, fax, etc.)
- Materials ordered—which items are most frequently requested
- Highlights of dollars spent
- Performance versus goals
- Cost-savings opportunities
- Goals and action plans for next quarter

EVALUATING QUALITY ASSURANCE IN YOUR FULFILLMENT PROGRAM

When it comes to evaluating your internal fulfillment program, or that of your outside vendor, what areas should you look at and how should you quantify your findings? One suggestion is to review the standard operating procedure categories based on a weighted point system (weight based on the importance of the area you are evaluating).

Sample Standard Operating Procedure Categories

- **Procedures:** Verify that there are documented policies and procedures and that these documents are required reading by all employees. Documentation should include information on shipping/freight carrier usage, processing times, incomplete orders and adjustments.
- **Time Standards:** Quantify turnaround times for all fulfillment processes, based on promised versus actual results.
- **Warehouse Accuracy:** Random, physical inventory of primary locations, reserve locations and empty locations. Variance should ideally be less than 3%.
- **Invoicing and Accounting:** Invoicing is critically important and should be regularly evaluated as its own audit. However, while conducting an overall warehouse audit, it's still important to review the following:
 - Invoice variance
 - Month-end turnaround
 - Clarity of invoice (explanation of terms, for instance)
- **Appearance & Safety:** A neat and safe workplace shows you that your vendor cares about his employees' welfare. To adequately review warehouse conditions, it's best to show up "unannounced" or on short notice. While visiting your warehouse, evaluate the appearance of the warehouse and ask for documentation on the safety inspections for equipment such as forklifts.

CORRECTIVE ACTION PROCEDURES

Auditing is not enough to ensure quality—there must be corrective action procedures in place in the event that specific areas are not up-to-snuff. The purpose of an audit is to gather performance data and from that data to provide constructive and directional information. The intent of the information should be supportive, educational and "coaching" in nature.


SOLICITING CUSTOMER FEEDBACK TO ENHANCE QUALITY

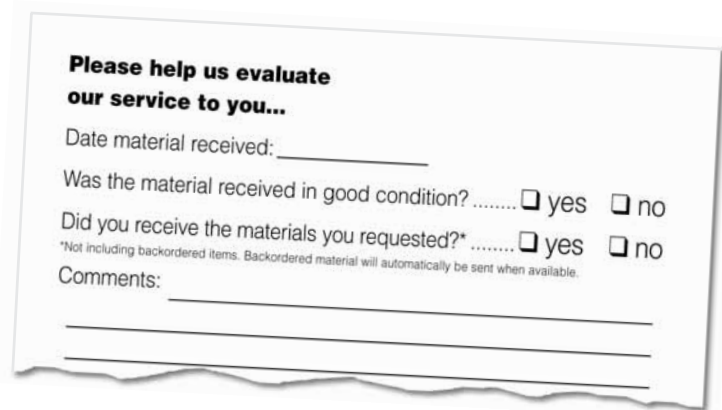
It's always worthwhile to gain an external perspective on how your fulfillment program is performing—whether that feedback is from your sales force or from your clients who ultimately receive the collateral. One method of receiving feedback from customers and end-users is by including a postage prepaid business reply card (BRC) with every shipment. These BRCs ask recipients if the shipment contained the correct items, in the correct quantities, on time, and in good condition. To increase accountability, the BRC should include the name and telephone number of the individual responsible for that order.

Periodic customer satisfaction surveys, which invite key internal and external customers to provide feedback to a senior management individual aligned with fulfillment, is another valuable exercise in gaining perspective. This method allows customers to bypass the person who actually handled the shipment and, instead, encourages them to talk with a strategic decision maker.

According to a recent inventory management benchmark study conducted by the American Productivity & Quality Center, as reported in *The Quality Observer*, “organizations that succeed in inventory management do not follow a magic formula for stocking appropriate amounts of inventory. Instead, they actively solicit information from their

customers and salespeople to avoid keeping too much of the wrong product and not enough of what customers want. They distribute customer report cards to gauge performance or gather information from customers concerning their changing needs.”

Quality assurance is more than just a buzzword: it's a philosophy that can be observed, taught and quantified. And the more attention we pay to quality, the more satisfied we find our internal and external clients and ourselves. 



Please help us evaluate our service to you...

Date material received: _____

Was the material received in good condition? yes no

Did you receive the materials you requested?* yes no

*Not including backordered items. Backordered material will automatically be sent when available.

Comments: _____

¹*The New Economics, Second Edition*, by W. Edwards Deming.