

Improving Order Fulfillment Performance [During an ERP Implementation]

Situation

A major juvenile products manufacturer embarked on an ERP implementation. At the time, customer service performance was poor. Order ship complete was running under 65% of order lines. In addition to the Y2K compliance benefits, the company believed that the ERP system implementation would help fix the customer service issues. The CEO decided that immediate relief to service performance was required. DHC was retained to improve short term performance with solutions that would transfer to the post ERP era.

Solution

DHC used a three phase approach that evolved based on client resources, ERP start-up extensions, and organizational development issues that came to light during the project.

- **Phase 1:** DHC determined that the customer service issues were the compounding of several under-performing business process. The customer service organization lacked focus, training, responsibility and accountability. The forecasting process between sales and operations was broken. Finally, the inventory deployment strategy was not integrated with new product roll-out, sourcing, SLOBs, and financial objectives. DHC recommended specific areas of business process improvement, organizational considerations, and a short-term “fix service” plan.
- **Phase 2:** DHC was retained to lead internal efforts to implement the “fix service” plan while directing efforts to optimize and integrate the business processes impacting service. Fix the service plan included requirements definition, process improvement, decision trees, training, tracking, and exception action planning. DHC assisted the client, ERP integrators, and functional leadership with the integration of new business processes into the ERP solution. Supporting business processes, such as SKU rationalization – new product operation’s integration – ABC inventory tools, were developed and implemented.
- **Phase 3:** Customer service numbers began to improve. However, the ERP go-live was delayed, there were organizational issues in customer service, and the forecasting module of the ERP package was not purchased. DHC was retained to recommend, recruit, and manage the transition of the customer service department. DHC specified, assisted in selection, and integrated a “bolt-on” forecasting application to the ERP system.

Results

Our client was able to significantly improve customer service during a key selling season prior to the ERP availability. [The ERP was over 6 months late going live.] In addition, key ERP customizations were pursued to insure customer service performance.

- The client improved margin during the first half by \$2 million associated with volume gains of shipping complete orders.
- Customer service performance steadily improved to over 98% order ship complete and on-time within months of the ERP go-live date. Service was not an issue on sales calls.
- Forecast accuracy and new product introduction performance improved and contributed to over-budget sales and margin performance for the holiday season.