Budco

WHITE PAPERS

FUTURE OF FULFILLMENT: UPPING THE VALUE EQUATION

AI2 BUSINESS INTELLIGENCE CONTACT CENTER PRINTING AND PRODUCTION MAILING SERVICES TARGET CONNECT DIRECT MARKETING INFORMATION TECHNOLOGIES WAREHOUSING AND INVENTORY MANAGEMENT OPTI-COMM ESTORE 8.3 FULFILLMENT LETTERSHOP AND FINISHING CREATIVE SERVICES CD DUPLICATION OPTI-POST PLUS FINANCIAL SERVICES TARGET CONNECT DIGITAL PRINT TARGET CONNECT AI2 BUSINESS INTELLIGENCE CONTACT CENTER FULFILLMENT PRINTING AND PRODUCTION MAILING SERVICES DIRECT MARKETING INFORMATION TECHNOLOGIES WAREHOUSING AND INVENTORY MANAGEMENT OPTI-COMM PERFORMANCE MEASUREMENT AND IMPROVEMENT DIRECT MARKETING ESTORE 8.3 LETTERSHOP AND FINISHING CREATIVE SERVICES CD DUPLICATION OPTI-POST PLUS FINANCIAL SERVICES BRAND CONNECT DIGITAL PRINT LETTERSHOP AND FINISHING PERFORMANCE MEASUREMENT AND IMPROVEMENT FULFILLMENT CREATIVE SERVICES AI2 BUSINESS INTELLIGENCE CONTACT CENTER PRINTING AND PRODUCTION MAILING SERVICES TARGET CONNECT DIRECT MARKETING INFORMATION

The Future of Fulfillment

Strategies for Upping the Value Equation

Like every other business entity, fulfillment companies stay in business by offering a service customers are willing to pay for. Historically, that involved receiving goods of some description, storing those goods in a warehouse, retrieving designated items as they were ordered, then sending the fulfilled orders on their way. For many years, facilitating that process accurately and efficiently allowed fulfillment companies to survive and even thrive.

The Unrelenting Demand for ROI

But the fulfillment landscape is changing, and quickly. That basic fulfillment model, which served many companies and their clients long and well, has moved to a commodity status. Receiving timeliness, inventory accuracy, order cycle time, lines per order filled – all are requirements that companies have to handle well just to stay in business. Measuring these basic standards of performance, which the best companies have always done, and making periodic improvements will become less and less effective as an approach to doing business. Within a commodity universe, beset with growing competition, escalating transportation costs, and a tough economic backdrop, survival becomes dependent on reducing costs again and again. Eventually, profit margins are squeezed until they disappear completely and companies either operate at a loss (not a sustainable business model) or close their doors.

Like every other sector, the fulfillment industry is under increasing pressure to deliver greater return on investment. While that pressure has always been there, it's growing exponentially. Clients flat-out demand more – reduced costs, measurable return on investment, improved customer service, the delivery of new solutions at greater and greater speed. With purchase decisions shifting from brand managers and marketers to procurement departments, the emphasis is on generating proven, measurable outcomes that are supported with facts. Meanwhile, the best practices of yesterday and today have become the price of entry as ever more complex expectations emerge. Automation, RF technology, RFID, automated warehouse management systems, automated conveyors, pick-to-light – none of these come cheaply. Yet, in varying combinations, they are essential to running a fulfillment operation.

So what is a fulfillment company to do?

Strategies for Creating Greater Value

To truly optimize the order management and fulfillment process, companies must find ways to create and deliver more value for clients … value that realizes measurable results … value that optimizes competitiveness … value that increases market penetration and share. Such high value can only spring from innovation, from the relentless search for better ways to deliver advanced services clients are willing to pay for.

The balance of this paper explores a number of ways of accomplishing that. The focus is primarily on business-to business fulfillment since some of these techniques already are being practiced in the somewhat more advanced business-to-consumer realm.

A key strategy is **integration of the entire ordering and fulfillment process**. Companies need to own everything – from front-end ordering portal, through inventory management and warehousing, to the pick/pack/packaging/shipping back-end that moves items out the door – making absolutely certain that all the moving parts mesh as a smooth-functioning, flawless whole. Having access to and control of front-end ordering data is essential to being able to effectively identify and analyze the market trends and nuances that lead to innovative approaches for clients – more about that shortly.

Closely aligned with the integration of ordering and fulfillment is the need to **consolidate control of related services within a single point of user access**. For example, the ordering portal may incorporate an output module, such as a Web-based mechanism for creating customized direct mail or electronic communications directed to specific target audiences. Or a module within the ordering portal can be tied to just-in-time output of a huge range of marketing materials, giving the paying entity direct control of production timing, quantities, and therefore, cost.

The real key to uncovering value within the fulfillment universe is increasing the sophistication of measuring key performance indicators. This is best done through **implementation of business intelligence tools**. Business intelligence (BI) allows fulfillment organizations to surpass standard application reporting, which typically focuses on timing, accuracy, inventory levels and ordering activity. The more technically sophisticated business intelligence methodologies dig deeper into data -- to uncover behaviors, patterns, and insights beyond the obvious. This happens at both the internal operational and external customer transactional levels.

Identifying relevant data through the application of business intelligence is one thing. Figuring out what it means and what to do with it is another. That's not always easy, which is why creating the **role of fulfillment analyst** is important. The fulfillment analyst brings the human, interpretive dimension to bear on BI data. He or she is not looking at daily order management reports or working with internal personnel to efficiently move materials. Rather, this is someone with in-depth knowledge and training, who really understands and deciphers what the data is saying, who does detailed segmentation and performs testing and validation. The intent is to identify the right data, make sense of it from the customer perspective, and present it in a way that becomes actionable.
Isolating **actionable data** is the point of business intelligence. That means doing something with the findings that is germane to a particular client's business situation. The intent is to make adjustments in the far-reaching fulfillment value chain that improve performance in some way. The precise structure of improvements must be done in a way that is relevant to each client's industry, customer base and strategy.

The Innovation Discipline

That leads to the need to **institute an innovation process** within the fulfillment organization. The innovation model is a way of taking the knowledge gained through business intelligence and transforming it into solid ideas. Except ideas alone are not enough. To be truly innovative, ideas must include implementation; they have to be put into practice in a tangible, measurable way. The result is a new level of problem-solving and creativity that becomes a true value-add for the customer. Real innovation generates opportunities to **create substantial or even breakthrough change** within an organization or even across organizations involved in the extended value chain.

Such change could take many forms.

One scenario within a B2B setting might be to create models of the best and worst users of the ordering and fulfillment system. Representative A demonstrates a certain set of characteristics and is consistently the top seller. Representative B, on the other hand, acts in a different way and registers poor results. By comparing the behaviors of the two and isolating the differences, it's possible to design a training program that teaches Representative B how to function in the more successful A mode.

Another possibility is to evaluate order activity and compose real-time automated alerts based on a pre-defined set of conditions. If a customer cancels an order of X value, a message goes immediately to the sales person to follow up and see if there is an issue. Conversely, when a customer places a larger order than usual, the sales person is alerted so the favorable circumstances can be identified and duplicated in the future.

Ultimately, these types of innovations can lead to transformation of a field sales organization or exponential improvements in customer services levels. What makes this possible? The application of business intelligence to uncover **new questions** is accompanied by the process of innovation to develop and apply **new answers**. Although each company needs to shape its own approach within the context of that business and client base, to be successful innovation must be **installed as an ongoing discipline** permeating an organization from top to bottom, and not regarded as a lucky one-time event.

In short, fulfillment companies of the future will do far more than put stuff in boxes. They will remake themselves into **fulfillment analytics organizations**. They will have disciplined systems and people in place to, first, capture and control data, and then to measure, analyze, and leverage this intelligence on behalf of their customers. This in-depth understanding drives new ideas and leads to true innovation.

That's the kind of **value that customers are willing to pay for** – because it's value that directly impacts and escalates their levels of business success.

About Budco: The Dialogue Company

Beginning in 1982 with a focus on fulfillment, Budco has grown organically by adding carefully integrated products in direct response to our customer's needs:

- Budco helps companies strengthen their relationships with key business and consumer audiences
  - We do this by creating solutions that encourage dialogue, the foundation of all successful relationships
- Our mission is to meet and exceed customer expectations by providing innovative, end-to-end business solutions that deliver results
  - We do this by designing custom product solutions supported by multiple in-house competencies

- Founded in 1982
- 500 employees
- Coast to coast operations
- Operations facilities and sales offices in California, Michigan, Indiana, Florida and New Jersey
- Headquartered in Highland Park, MI
- Integrated solutions supported by a wide variety of in-house competencies
- Custom approaches designed to deliver on customer's needs
- Cross industry experience with Fortune 500 companies
- Focused, innovative, client-centric culture

Budco World Headquarters:
13700 Oakland Avenue • Highland Park, MI 48203 • 1-888-BUDCO-40
www.budco.com • marketing@budco.com

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