



Shipping & Mailing: In Search of the Perfect Order

By Paul Miller, editor in chief, *Catalog Success*

You may think you have a great fill rate, but are you looking at all of the metrics necessary to determine how many customers are getting perfect packages?

Kate Vitasek, managing partner of consulting firm Supply Chain Visions, cited a number of reasons why a seemingly "good" fill rate of 99 percent is nevertheless far from perfect in her "Perfecting the Perfect Order" session during last week's National Conference on Operations & Fulfillment.

"Say you have a 99 percent fill rate from your distribution center," she said. "Is that good? If one person missed out, out of 100, you could have a fallout in your company because of that one missed order."

Catalogers need to consider myriad of metrics in calculating fill rates. These include,

- Did the order arrive when the customer wanted it?
- How much did it cost to fill the order?
- Was the cycle time up or down the supply chain?
- Is on-time shipping necessarily on-time delivery?

She pointed out that process measures are usually company-wide or customer-focused, cross-functional in nature and sometimes cross-company. Catalogers, she said, should measure the "total effect" of a process and drive overall optimization of costs and customer satisfaction.

The perfect order index, as she referred to it, consists of four measures:

- shipping on time;
- shipping orders complete;
- shipping orders damage-free; and
- providing the correct invoice

Beyond a simple 99 percent fill rate, other seemingly high numbers are also not so high. For instance, she pointed out, if a batch of orders were shipped 95 percent on time, 95 percent complete, 95 percent damage-free and 95 percent with accurate invoicing, the actual perfect order index is a mere 81.4 percent, due to the problems caused by those four metrics compounding. "You have four chances to miss," she said. "Ninety-five sounds good for each of these, but something happened wrong almost 20 percent of the time."

She pointed to the 2005 Warehouse Education Research Council benchmarking survey of 900 companies in which orders were shipped 93.67 percent on-time, 93.30 percent complete, 98.35 percent damage-free and 98.2 percent with accurate invoicing for a total perfect index of just 84.4 percent.

A best practice benchmark would include a 99 percent on-time rate, 99.7 percent complete, 99.9 percent damage free and 100 percent accurate invoicing for a total perfect order index of 98.6 percent.

Noting that a recent AMR study showed that just 80 percent of orders in the United States are "perfect," Vitasek said that 11 percent aren't delivered on-time due to stock-outs, late shipments, transit delays and multiple deliveries.

The bottom line: "That customer isn't seeing a 99 percent fill rate," she noted. "They see 85 percent. And that results in lost customers, lost sales and lost revenue."