Order-to-Delivery: Times Have Changed

by R. Michael Donovan

Times have changed. One permanent change is the competitive landscape. In the past, manufacturers made products, then went out and found customers to sell to and make a profit. The traditional customer interaction mode of "we make it, you buy it" has collapsed. In its place, customers are saying, "we'll let you know, then you deliver it fast". This about-face has put a great deal of strain on manufacturers and their supply chain management capabilities.

In addition, customers used to evaluate suppliers on three factors—product performance, price and quality. Now two more factors are receiving a great deal of emphasis for customers negotiating on-going commitments with their suppliers: responsiveness (how good are you at meeting customer requests?) and dependability (how good are you at meeting your commitments?).

Clearly, in the order-to-delivery cycle, the focus should be on what the customer wants: quality products delivered on-time and at a good price.

Queue time

Most order-to-delivery processes are fraught with delay time, high costs, excessive inventory and overworked staffs who frantically attempt to compensate for ineffective processes and systems. Some way, some how orders get shipped, although maybe not when customers want them and at a cost that is unnecessarily high. Often, more than 95 percent of the order-to-delivery cycle time consists of information and/or material waiting in queues. Some examples of common cycle-time-robbing queues include:

• Orders waiting to be processed

• Waiting for engineering documentation

• Waiting for corrected information

• Material flow impediments

• Correction required in the production process

• Manufacturing and administrative bottlenecks

• Finished goods waiting in a warehouse for customers to buy

One very common and often overlooked queuing problem is information waiting inside the computer, especially with older systems. It's almost laughable that systems data can be computer processed at the speed of light, only to wait in queue for someone to act upon it. This waiting time can often be measured in days. Something is definitely wrong when this happens. Consider that all this queue time stretches the order-to-delivery cycle, increases inventories everywhere, increases overhead activity costs, and worse, alienates customers. In addition, queue time is almost certain to contribute to decreasing throughput and increasing exposure to process variations that will further depress business performance.

Is order-to-delivery effective?

The order-to-delivery process is made up of two flows: information and material. Order-to-delivery cycle time is directly proportional to the speed of information and material flow. Yet in most companies, order-to-delivery processes were never designed in the first place. In fact, the process more than likely evolved from a basic system through layers and layers of patchwork to get it where it is today. Now the process hinders responsiveness and dependability and contributes to much higher inventories and costs than are necessary. Correcting these problems means taking charge and redesigning your order-to-delivery process in a way that complements your overall business. It costs a lot less and is more effective to solve the problems of information and material flow than to cope with the effects of those problems.

The objective of an order-to-delivery process is to produce the highest quality product at lowest possible cost within a very short cycle time. A prerequisite to achieving what the customer wants is to compress cycle time at every stage of the order-to-delivery process. That means squeezing out all the wasted time from information gathering and exchange, order processing, material procurement and production scheduling to engineering, receiving, shipping and accounts receivable. This puts the focus on operational processes and systems, where it's a search-and-eliminate mission for causes of long cycle times.

Approaches such as demand-based flow manufacturing, coupled with modern information technology, can help increase market share through quick response, better product quality, lower costs and being the flexible supplier your customers want. From a strictly financial point of view, manufacturing spends most of the money and controls most of the assets. The best order-to-delivery capabilities offer a major opportunity to gain a competitive advantage. In fact, order-to-delivery capabilities are often the differentiator between winning and losing.

Many companies want to apply an easy-to-do-business-with strategy because it is very effective in helping to achieve topnotch customer satisfaction and increase market share. The order-to-delivery process is a good place to start effective strategy implementation. ◆

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