

Five Steps Towards Improving Logistics Performance

By following five simple guidelines, companies can improve their logistics performance and provide a much more efficient service to customers.

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Stephen Errey has been Managing Director of Lucidea Consulting Limited since 2001. He has worked in logistics for over 20 years, and during that time has worked with many blue-chip companies. In the pharmaceutical sector, these have included: AstraZeneca, Bristol Myers Squibb, Fresenius Kabi and Novartis. His experience covers Europe, the Middle East, America and Africa. Lucidea Consulting Limited helps companies improve their business by getting the most out of their logistics.

Successful logistics operations are vital if a company is to stay ahead of its competitors. But how can management ensure that the logistics of a business are constantly running smoothly and cost-effectively? How can they guarantee that efficiencies are being driven right throughout the supply chain? And what is the secret to providing customers with a quality service that continuously offers them the right products at the right time?

The keyword that holds the answer to all of these questions is 'customers'. Successful companies that grow quickly – and sustain this growth – follow a logistics process that has been specifically designed to meet the needs of all their customers. An understanding of customers and what they require is an important part of designing a logistics process that is accurate and efficient for a business.

So how can a company do this? Of course, every situation is different, and there's no single solution that will fit every business. But what I have learnt from 20 years' experience in the pharmaceutical industry is that there are five basic principles that you can see over and over again in all companies with truly successful logistics. If you understand and follow some (or all) of these golden rules, I am sure that your business performance will improve and continuously provide a service that is not only more efficient but is cost-effective too!

MAKE ORDER TO DELIVERY LEAD-TIME YOUR LOGISTICS FOCUS

Don't ever forget that each part of the logistics chain is there to serve the customer – which means that their opinion on how your business operates is vitally important. When forming an opinion of a business, one

of the most important factors for many customers is the amount of time between ordering and receiving their goods. This order fulfilment process can greatly affect customers and how they view your company. It involves several departments and large numbers of staff, all of whom have their own sets of priorities.

To manage the lead-time efficiently, you must take a step back and examine the whole picture. Focus on all the departments involved in the order fulfilment process – sales order processing, credit control, stock control, production, warehouse, transport – and then tackle the problem with an holistic approach. It is true that this may lead to an entirely new method of managing lead-time, and changing the way people think is never easy. But remember, if you look at your business from a customer point of view you will soon be aware of the dividends.

MAKE TRANSPORT A CUSTOMER SERVICE ACTIVITY INSTEAD OF A COST

All too often, transport is not taken seriously enough and is looked upon as a necessary evil – it has to be done but is almost more trouble than it's worth, providing a cost without any added value. Unfortunately, when companies adopt this attitude transport is often bought from the cheapest supplier, schedules are designed simply to keep costs low and nobody monitors performance. Customer requests – such as defined lead-times or delivery-time windows – are seen as a nuisance that prevents transport from being operated efficiently.

It is essential for businesses to realise that transport can offer value, but it is up to you to find and maximise that value and then provide the service; otherwise, you may find yourself paying unnecessary costs and missing key



opportunities to increase revenue. For example, you may try to reduce costs by cutting out next day delivery – but if customers really need it, then special arrangements will no doubt have to be made to keep them happy and this will result in increased costs.

But what if you take the initiative and offer your customers different levels of service? Your customers will feel as if they're in control – and you have the chance to charge a premium rate for a premium service. Not only does the customer feel cared for, but also you are able to charge realistic rates for the services that they want. Automatically, you steal a march on your competitors by delivering a service that suits all of your customers' needs.

REDUCE YOUR STOCK PIPELINE TO CUT COSTS AND IMPROVE SERVICE

Sometimes the most obvious response to a business need is not necessarily the right answer – in fact, it may even make things worse. For instance, imagine a business has a poor order-fill. The immediate reaction is to increase the stockholding to ensure that customer demand can be met.

However, increasing stock levels will also mean an increase in the time it takes for the given item to reach the customer. This in turn leads to a slower response to changes in demand. As a result, instead of order-fill improving, it is more likely that there will be a surplus of unwanted products and not enough of the ones that customers want. So, oddly enough, increasing stock doesn't solve your problems – it actually has the potential to make them worse! Increasing stock to improve your service effectively says: 'we don't know what our customers want, so we'll compensate by stocking everything'.

The real answer to this problem has nothing to do with how you push stock into the system, but everything to do with how you match what you do to the demand of your customers. Learn to understand your customers and their buying behaviour, and then you can design an order fulfilment that matches their demands. This will usually lead to a faster, leaner, more responsive supply chain with less stock clogging it up.

So, an important lesson to learn is that having too much stock can be worse than having too little. Managing and

planning is essential – not just in stock handling but throughout the logistics process. If the planning is wrong, no amount of money and resources will be able to solve the problem.

PICK AS SOON AS YOU CAN

Most logistics operations involve ‘picking’ in some form or another. At some point, decisions have to be made in order to turn what your supplier sends you into a product that your customers want. A lot of people are involved in this process as ‘picking’ usually occurs every time the product moves from each stage of the supply chain to the next. Generally, people like to keep things simple by not picking more than they have to and making decisions with little thought of their effect. Unfortunately, every decision that is made throughout the supply chain has a knock-on effect – it costs money, it’s a potential source of error, and it’s a potential source of damage.

Every company is operating in a business environment that is becoming more and more competitive. You need to find ways to stay ahead and stand out in your market. This means you have to be looking at ways of providing a better service, at a lower cost.

The best way to avoid this problem is to reduce the number of picks by making the real ‘pick’ – that is picking into the form your customer most wants, as soon as possible. So the further back up the supply chain you pick, the better. It used to be difficult to avoid picking at every stage in the supply chain, as there was no practical way of transferring information on a customer’s order back up the supply chain. However, this is no longer the case, as technology now gives companies the opportunity to share information and transfer it to where it’s needed quickly – and at almost no cost.

What’s needed is the opportunity to overhaul your picking strategy – pick once, pick right and you will cut cost, time and errors.

IS EVERYTHING YOU’RE DOING REALLY NECESSARY?

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The traditional response of many businesses to this issue is to shave a penny off here or there, and then work a little harder to stop the cost-cutting affecting customers. Of course this helps, and no company can afford to let up on cost control and work rate. However, this doesn’t enable companies to make the jump that propels them into the lead and leaves the competition racing to keep up. In order to make a real difference, you need to adopt a new approach. Try cutting out whole swathes of cost, moving up a step in service levels, generally changing the way you do things and, in particular, cutting out whole activities.

This may seem daunting, and it’s difficult to believe that there are activities that people could just stop doing. After all, why would anyone do unnecessary work? But you will be surprised by how much unnecessary work departments are doing when you start looking more closely.

Are you sending your products through intermediate warehouses or distributors? If so, you could dispatch straight to the real customer. When you’re picking, do you pick into one container and then take everything out and pack it into another box? If so, you could pick straight into the delivery box. Do you spend some time every day checking and correcting mistakes that shouldn’t be happening in the first place? If so, you need to tighten up the department so mistakes don’t happen.

The big advantage of this approach is that it doesn’t just cut costs; it improves lead-times and customer service because whole activities disappear. By cutting out activities completely, you lose the costs plus the time associated with them, and this is a whole lot easier than squeezing another few per cent out of something you’re still doing.

So there you have it – I hope this has given you a good idea of how you can use logistics to give your business that competitive edge. Of course, my advice can only scratch the surface, but I have found that these key methods are making big improvements in logistics performance at successful companies I have worked with. By following these five simple guidelines, your business will move closer to providing a much more efficient service ... so over to you!

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