

# Line Groups: Supply Chain Order Management

## CASE STUDY

### Consumer Packaged Goods

#### Order Mgmt: Packaged Goods

North America

#### Project Sponsor: Senior Vice President

#### Project description:

- Order management operations improvement effort for a major division of one of the world's largest cosmetics producers
  - 80 luxury brands
  - Diverse retail channels
- Scope of project:
  - Customer service—order receipt/release
  - Credit and collections—cash application, returns, deduction resolution, check distribution, invoice collection
  - Information and control—master data and inventory
  - Shared services—vendor managed inventory and e-commerce
- Improvement benefits:
  - Operating cost . . . . . ↓16%
  - Head count . . . . . ↓14%
  - Break even point . . . . . .6 mos.
  - ROI [12 month]. . . . . 2.2x
  - Abandoned call rate . . . . . ↓ 5%
  - Line fill rate . . . . . ↑ 8%
  - Receivables [DSO] . . . . . ↓18%

### Order Management

**Situation Analysis:** ClientCo is one of the world's largest cosmetics firm with annual revenues exceeding \$20 billion. ClientCo USA provides roughly 30% of this volume and its order management group for a major business line supports 80 brands across multiple retail channels.

Several factors drove ClientCo senior management to seek rapid order management improvement: Recent technology deployment created pressure on existing, inefficient order processes while an acquisition increased volume by over 25%. Customers pushed for leaner inventories, demanding increased service performance: fewer errors, increased flexibility, more visibility of orders, and more.

**Improvements Identified:** An eight-week, Phase I analysis using The Lab's template-based approach identified 125 improvement opportunities. Over 70% required no changes in existing technology, products or distribution strategy. All could be implemented in less than six months. Examples:

1. **Mis-prioritized Customer Service**—Carefully established e-commerce algorithms and service priorities were superseded by senior-level-management manual intervention. Result: small customers bumped the largest, most profitable to the bottom of the queue. Extensive rework was required—if the problem was noticed.
2. **Under-managed Inbound Data**—Over 85% of customer setups and changes bypassed the sales staff into the Master Data organization, creating errors, misunderstanding and [sometimes] credit losses. Improvements included: centralized intake and contact point; segmentation and prioritization of work; consistent notification of sales team.
3. **Excessive Internal Blocks/Holds**—Numerous internal blocks on returns, payments and other transactions substantially exceeded comparable benchmarks. The resolution process offered numerous improvements: simplification, standardization, clearer accountability.
4. **Misaligned Metrics**—Service Level Agreements [SLAs] were in place with customers but not among internal groups that drove related service performance. Basic info was tracked for service requests, but segmentation and prioritization was lacking, i.e., simple/complex, small/large, urgent/routine.

**Overall Results:** The five-month implementation plan targeted an immediate-action [1-2 month] documented service improvement and a simultaneous labor cost reduction [15%].