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Saving Time & Money on Outsourced Fulfillment

Assumptions



1. Your company has recognized the benefits of outsourcing non-core functions to acquire expertise and cost savings, among other benefits
2. So, you're working with a fulfillment partner already to leverage their operations, personnel and information technology infrastructures
3. **Assuming these things, today we'll focus on how to extract further efficiencies from an outsourced fulfillment relationship**

Basic Fulfillment Value/Cost Buckets



□ **Operations**

- Physical infrastructure – warehouse/facility, storage and material handling equipment
- Processes – pick/pack/ship/returns

□ **Personnel**

- Execution team
- Account management

□ **Information Technology (IT)**

- Order and inventory data flows
- Confirmations and communication

Operations – Physical Infrastructure



- **Understand and optimize units of measure**
 - Pallets, cases, SKUs - balance between separation & aggregation to optimize accuracy & speed v cost trade
- **Bulk storage v. pick line relationship**
 - Optimization depends on title base and fulfillment partner – e.g. pick from pallet for smaller publishers
- **Align logistics offerings**
 - Take advantage of outsourcing partner's strengths – e.g. use fulfillment partner's vendor accounts

Operations - Processes



- **QC shipments at manufacturer/printer**
 - Avoid recalls and rework – e.g. ISBN/UPC re-coding
- **Utilize and facilitate batch activity strategies**
 - Spread project fixed costs across more units
- **Benefit from non-peak period rates**
 - Projects that are not time sensitive
- **Standard Operating Procedures (SOPs)**
 - Define and replicate – increase speed, reduce errors

Personnel – Execution Team



□ **Training**

- Ensure knowledge of your products and processes
 - Present products to ‘front line’ team and review SOPs

□ **Quality Control**

- Double checks v technology reliance

□ **Turnover**

- Retraining is costly to employer but also to client in an outsourcing relationship
- Review history and culture and ask for dedicated team

Personnel – Account Management



- **Relationship fit**

- Personal rapport to facilitate communication
- Fundamental understanding of your business

- **Communication**

- Consultative dialogue
- Freedom to constructively criticize

- **Protocol v flexibility**

- Rule: seek flexibility at the account level but efficiency (e.g. SOPs) at the production level

Information Technology



- **Automated order transmission - EDI & Web**
 - Reduce clerical order costs and increase speed and accuracy (i.e. avoid rekeying data)
- **Reporting**
 - Accurate, real-time inventory reports reduce costs by supporting JIT supply
- **Feedback loop**
 - Order confirmations and shipment tracking support efficient customer service

Fulfillment Outsourcing Mistakes

- **Rate focus as opposed to process focus**
 - ▣ Premium placed on fee negotiation and replication of in-house methods
 - ▣ Instead, target design and simplification
- **Poor iterative communication between company and fulfillment house**
 - ▣ Create a learning partnership to gain consulting and efficiency benefits
 - ▣ Little weight given to relationship fit; you will save more money if you enjoy working with your fulfillment partner