

The Order Fulfillment Process

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Overview

Order fulfillment is a key process in managing the supply chain.¹ Filling customers' orders efficiently and effectively is a crucial step in providing good customer service. However, the order fulfillment process involves more than just filling orders. It is about designing a network and a process that permits a firm to meet customer requests while maximizing profitability. In this chapter, the order fulfillment process is described in detail to show how it can be implemented cross-functionally within a company, and managed across firms in the supply chain. The activities of each sub-process are examined; the interfaces with corporate functions, processes and firms are evaluated; and, examples of successful implementations are provided.

Introduction

Order fulfillment involves generating, filling, delivering and servicing customer orders. To accomplish these tasks, management must design a network and a fulfillment process that permits the firm to meet customer requests while maximizing profitability. At the operational level, the order fulfillment process focuses on transactions, and is largely executed within the logistics function, but at the strategic level, management should focus on making critical decisions about the process that influence the performance of the firm, its customers and its suppliers. This requires integration of all the key functions and is enhanced through collaboration and coordination with key suppliers and customers.

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The order fulfillment process affects the financial performance of the firm. For instance, within the order fulfillment process the team will make decisions about how orders will be filled for each customer segment, assuring that these activities, and their costs, are aligned with customer profitability. An optimized network minimizes total delivered costs, including sourcing costs, while meeting service level requirements. A streamlined process reduces the order-to-cash cycle which frees up capital, and reduces the delivery lead-time which allows for reduced inventory levels. The effectiveness of the process can also affect the financial performance of suppliers and customers. The focal firm's ability to deliver to the customer the right quantity at the right time prevents manufacturing disruptions, or in the case that the customer is a retailer, prevents empty shelves. Suppliers can

¹ This chapter is based on Keely L. Croxton, "The Order Fulfillment Process," *The International Journal of Logistics Management*, Vol. 14, No. 1 (2002), pp. 19-32.