

The Order Fulfillment Process

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Overview

The order fulfillment process is key for the successful implementation of supply chain management.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 the other processes and firms are evaluated; and examples of successful implementation are provided.

After reading this chapter you should be able to:

- Describe the strategic order fulfillment process.
- Illustrate why it is important for the order fulfillment team to evaluate the structure of the logistics network.
- Understand how network software can be used to design the logistics network.
- Demonstrate how customer segmentation and the PSAs, developed in the customer relationship management process, affect the order fulfillment process.
- Identify the criteria managers should use to determine which customers receive products when there are not enough to fill all orders.
- Explain how the order fulfillment process affects Economic Value Added (EVA®) including how and why the process can affect each of the six components of EVA®: (1) sales, (2) cost of goods sold, (3) total expenses, (4) inventory, (5) other current assets, and (6) fixed assets.
- Describe the operational order fulfillment process.
- Identify how technology can be used in the order fulfillment process.
- Understand why the order fulfillment process needs to be cross-functional, what functions should be involved, and what role each plays.
- Explain how customers and suppliers can be integrated into the order fulfillment process.

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; and Keely L. Croxton, "The Order Fulfillment Process," in Douglas M. Lambert (Ed.) *Supply Chain Management: Processes, Partnerships, Performance* (4th Ed.), Supply Chain Management Institute, Ponte Vedra Beach, FL (2014), pp. 107-122.