



# CASE STUDY

## SWATCH FULFILLMENT

# STUDY

### EXECUTIVE SUMMARY

A leading company in Interior Design approached SI to improve their struggling fulfillment program. The client offered over 1,000 SKUs to their customers as samples. They invested heavily in an online portal to process orders and managed them via SAP, but the program showed only a 4% conversion rate from sample orders to final sale. 60% of the orders contained at least one backordered item. Orders were taking up to 10 days to get to clients. The program was too costly and did not generate any sales leads or business intelligence that could be used to improve their product offering.

SI did a full analysis of the program workflow and interviewed all key stakeholders in the process. We uncovered key errors in inventory planning, process flow, capacity and personnel allocation. SI designed and implemented an outsourced fulfillment solution that included statistical reorder points and quantities by item, base material ordering protocols, dedicated key personnel by task, and an integrated order processing solution with built in reporting tools and shipment tracking.

### IMPROVEMENTS

- 99.7%** stock availability
- 52%** reduction in total delivery time to customers (3 to 5 days)
- 99.5%** on-time delivery (orders shipped within 24 hours)
- \$40,000** reduction in fixed costs annually
- 20% - 24%** conversion rate (sample order to sale)

## PROBLEM

- **60%** of all client samples orders were shipped short or created backorders due to swatch availability
- Poor conversion rate of sample order to sale – **4%**
- Inconsistent delivery timeframe (**7 to 10 days** from order receipt to delivery)
- Swatch replenishment lead-time averaged **3 to 4 months**

## PROGRAM DETAILS

- Client-managed fulfillment
- 1,000+ SKUs
- 70 orders per day, 6 swatches per order

## CHALLENGES OBSERVED

- Reorder point and quantity not based on actual lead-time and swatch movement
- Swatch replenishment lead-time was poorly defined and ordering was infrequent
- Undefined owners for key areas of the process
- Internal personnel managing the process as a part-time activity; fulfillment process frequently neglected
- Disorganized and inefficient storage
- Lack of budget and infrequent management review

## PROCESS

*SI's Fulfillment Solutions team initialized a bi-weekly work session to review the program details with our client. We interviewed all personnel involved with fulfillment to gain knowledge of the process and to identify the challenges they faced. We extracted and analyzed 12 months of shipment and inventory transaction data from the client's SAP system.*

## SOLUTIONS

- Established a clear timeline for all process steps
- Using the statistical calculations and lean tools, we calculated the safety stock, reorder point, and reorder quantity for each item
- Defined the necessary full-time personnel to meet program needs and proposed internal and outsourced program options
- Established EDI import and export loop to SAP for seamless order integration and shipment tracking feedback
- Eliminated all inefficiencies of client-managed program by managing inventory and processing orders in SI's customized management system
- Designed monthly reporting to generate & track key metrics

## RESULTS SUMMARY

|                              | BEFORE | AFTER | CHANGE |
|------------------------------|--------|-------|--------|
| Delivery timeframe (in days) | 8.2    | 3.9   | -52%   |
| Swatch Availability          | 61%    | 99.7% | 63%    |
| On-Time Delivery             | N/A    | 99.5% | 99.5%  |
| Order Accuracy               | N/A    | 99.9% | 99.9%  |
| Daily Orders                 | 70     | 94    | 34%    |
| Monthly Orders               | 1,400  | 1,957 | 40%    |
| Swatches per Order           | 5.6    | 6.2   | 11%    |
| Backordered Lines            | 3,136  | 61    | -98%   |
| Order Conversion Rate        | 4%     | 20%   | 400%   |