

The Order Fulfillment Process

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Overview

Order fulfillment is a key process in managing the supply chain.¹ It is the customers' orders that put the supply chain in motion, and filling them efficiently and effectively is the first step in providing 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 minimizing the total delivered cost. 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

At the operational level, the order fulfillment process focuses on transactions, while at the strategic level, management can focus on making critical improvements to the process that influence the financial performance of the firm, its customers and its suppliers.

Order fulfillment involves generating, filling, delivering and servicing customer orders. In some cases, it is only through this process that the customer interacts with the firm, and therefore, the order fulfillment process can determine the customer's experience.² To accomplish these tasks, management must design a network and a fulfillment process that permits a firm to meet customer requests while minimizing the total delivered cost. This requires integration of logistics, marketing, finance, purchasing, research and development, and production within the firm, and coordination with key suppliers and customers. At the operational level, the order fulfillment process focuses on transactions, while at the strategic level, management can focus on making critical improvements to the process that influence the financial performance of the firm, its customers and its suppliers. For instance, order fulfillment directly affects product availability which influences total sales volume. An optimized network minimizes total delivered costs, including sourcing costs. 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. Thus, order fulfillment can affect the financial performance of the focal-firm, as well as other members of the supply chain.

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.

² Shapiro, Benson P., V. Kasturi Rangan, and John J. Sviokla, "Staple Yourself to an Order," *Harvard Business Review*, Vol. 40, No. 4 (1992), pp.113-122.