

Lean Supply Chain Operations

CASE
STUDY

Order Management

Lean Supply Chain Transformation for Order-to-Cash

Situation—What common challenges does the order-to-cash transformation attempt to address?

The technology vendor had promised, “This ERP upgrade gives you built-in lean supply chain management capability for the order-to-cash process. It delivers automated cost cutting and continuous process improvement capability.”

Management was assured there was no need to perform manual process improvement to prepare in advance to improve the order-to-cash cycle.

Over one year later, there was still no automated lean supply chain cost reduction, and no measurable gain in operational efficiency. The order-to-cash process was not improving. A pending acquisition required that supply chain management rapidly increase productivity to handle 25 percent more volume. And an industry slowdown meant customers were pursuing their own cost cutting. Customers carried smaller inventories. They wanted fewer errors and faster deliveries.

Client Description, Project Scope, Objectives

The supply chain management team needed manual, lean supply chain transformation for the ERP to increase productivity. The Lab’s non-technology lean process improvement templates and methodology offered a shortcut. Order-to-cash process transformation increased knowledge worker productivity by 30 percent. This gain absorbed the new acquisition volume. Errors fell by 70 percent. Order fulfillment cycle time was reduced by 25 percent. No technology needed.

The company is one of the world’s three largest cosmetics makers. The U.S. subsidiary generates 30 percent of global sales. This division supports 80 brands across numerous retail channels.

The implementation began with a 7-week, Phase I analysis. It documented the end-to-end order-to-cash cycle and supply chain operations. This effort delivered a self-funding, guaranteed lean business case and work plan that launched a 6-month, Phase II lean supply chain transformation implementation.

Lean Supply Chain Transformation Examples and the Benefits of Six Sigma

The Lab implemented 175 non-technology lean supply chain process transformation improvements. Lean supply chain improvement examples:

Simplified Lean Ordering Options—Customers faced a virtually unlimited selection of ordering options: labeling, packaging and shipping. But only 15 percent of these were used often. The Lab eliminated three-quarters of ordering options. Simplification enabled lean six sigma supply chain process standardization, faster delivery and major cost reduction.

Six Sigma Supply Chain Error Management Discipline—Order-to-cash cycle errors were poorly tracked. The results: delayed shipments from vendors, returned goods from customers and avoidable customer contact. Within the first month, The Lab implemented lean performance and productivity metrics in the supply chain. This hard data increased management discipline for the most frequent errors and “offenders.”

Dedicated Lean Service Teams—The majority of orders and product volumes were concentrated among a few large customers. But each order was processed as a stand-alone item. The Lab implemented dedicated order-to-cash service teams for high volume accounts. Team-based lean supply chain process standardization eliminated repetitive service issues and improved the customer experience, from order entry through delivery and collections.

Global Top 3 Cosmetics Manufacturer

Order Mgmt: Packaged Goods

United States

Project Sponsor:

Senior Vice President, Order Management

Non-technology, self-funding operational improvement implementation:

- No new technology
- End-to-end order management
- 6-month implementation

Project Objectives:

- Cycle time reduction
- Operational efficiency gains
- Cost cutting benefits

Project Scope:

- 80 brands
- Diverse retail channels
- Customer service
- Credit and collections
- Master data and inventory
- Shared services

Implementation Results:

- Operating cost ↓ 16%
- Capacity improvement ↑ 23%
- Order fulfillment cycle time ↓ 25%
- Order errors ↓ 70%
- Break even point 6 mos.
- ROI (12 month). 3X

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