ProSales

Parksite
40th Anniversary
Employee-Owned

PROSALES WHITE PAPER

The Power of OTIF

OTIF: All day, every day.

OTIF is an acronym for on-time and in-full. It measures an organization's performance on getting customers exactly what they want when promised. In short, it measures how well a company can "get it right the first time." Getting it right the first time improves service and lowers costs.

Today's fierce margin pressure is forcing business improvements across the board. While price matters, we've also seen renewed emphasis on service. Price, which has to be competitive, is the order qualifier but service is the order winner. In a market where every dollar matters, customers are paying even more attention to price and the cost of doing business. Getting what they want when they need it remains the service gold standard. That's why OTIF matters. Measuring your company's OTIF performance lets you know how often you're getting it right the first time. It tells you how often you can get the right stuff to the right place at the right time in the right condition with the right invoice.

There's a tendency to look at OTIF as a delivery service scorecard. You'll hear some say, "We don't measure OTIF because we're really good on deliveries." OTIF is much more than a delivery service record. It is a whole organizational metric. It measures an organization's ability to get everything right (the sales order, special order coordination, manufacturing, sourcing, receiving, picking, staging, loading, delivery, invoicing) the first time.

Perhaps more importantly, it tells you **WHY** you didn't get it right the first time. Identifying what's not working and why it's not working allows you to fix it. Some LBM businesses are systematically addressing the root causes of their OTIF failures. The end result is that they're improving service and lowering their operating costs. That matters more than ever in today's market.

Some companies have achieved outstanding OTIF percentages in the mid-90s range. That level of performance is a result of intentional and disciplined effort. But the performance number isn't nearly as important as WHY you have it. Understanding the why is where the true value and power of OTIF resides. Here's how some LBM dealers have used OTIF to improve service and their bottom lines.

HOW TO MEASURE

First and foremost, you need a uniform way to measure OTIF. On-time is defined as delivering the order to the customer when you promised. The measurement is the commitment the organization made, not necessarily the time the customer requested. For example, if an order was promised before noon on Tuesday or before 8 a.m. on Wednesday, did you meet that deadline? Simply because the customer requested delivery in an hour doesn't mean that's the yardstick. Your commitment is the yardstick. Can you do what you said you would when you said you would? Are you reliable? Can your customer count on you all day, every day?

Jackson Lumber & Millwork in Lawrence, Mass., began implementing OTIF six years ago. "The more credible you become, the less anxious your customer is," says company vice president Joe Torrisi. "The customer trusts that we're going to get the order there when promised so we get more realistic delivery requests. For example, if they need the order after lunch they used to request a first-out. Now, they'll say they need it by 11 a.m. and we've got a first-out slot freed up for a 'true' first out."

In-full measures order accuracy. It counts as in-full when everything ordered is delivered with no errors, backorders, or substitutions. "The measurement has to be rigorous because that's how our customers view it," says a dealer in the Northeast. "If we're missing one box of nails or any item, the customer didn't get everything he wanted and needed."

Measuring substitutions is also important. Substituting 2x4x14s for 2x4x12s doesn't seem like a big deal but there's an underlying issue that should be addressed: In this case, inventory levels on 12s are insufficient. "It's an inventory management issue," says the Northeast dealer. "You don't have enough of one item and you're creating a false demand for another. How do you ever balance your inventory?" The customer may not mind and often may not be aware of substitutions and that's good for service. However, it's still an OTIF failure. There's an insufficient inventory management system and it's adding additional operating costs.

OTIF is a black-and-white metric. You make it or you don't. Period.

What Does Our Advanced Warehouse System Mean for Parksite Customers?

- **Improved Sales Support** – accurate inventory, higher order fill rates.
- **Better Customer Service** – fewer picking errors, accurate, more visible real time inventory information.
- **Customer Satisfaction** – Higher fills rates, meet customer expectation for order and delivery requirements, on time as promised, and out perform the competition.

CUSTOMER SERVICE
☑ OUTSTANDING
☐ Excellent
☐ Very Good
☐ Average
☐ Below Average

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NOT WHAT BUT WHY

"I've got an OTIF of 92%!" That's excellent performance. The important question now is, What's the biggest driver of your OTIF failures? Answering this question shows the true value of OTIF. What's getting in the way of getting it right the first time?

As OTIF performance is measured, failures and the reasons for them are tracked. Generally these fall into four categories: vendor issues, customer issues, internal issues, or other.

- Vendor: includes late shipments, partial shipments, or wrong items sent.
- Customer: includes wrong delivery information provided by the customer, last-minute changes/add-ons.
- Internal: includes sales order entry mistakes, inadequate time allowed for special orders, inventory out-of-stocks, manufacturing error, delivery error.
- Other: weather issues or rail strikes and the like.

Tracking the reasons for OTIF failures provides data that help identify the root cause of the failure. This enables organizations to identify and implement permanent system fixes. That in turn improves OTIF, which improves service and lowers costs.

DRIVING SERVICE AND PERFORMANCE IMPROVEMENTS

With my clients, the largest area of OTIF failures has always been internal. Break out the tracking for internal issues into subcategories: sales; inventory; operations; distribution; manufacturing. The largest drivers of OTIF failures at this level vary from company to company but the majority include inventory in the Top 2.

INVENTORY MANAGEMENT IMPROVEMENTS

An LBM dealer in the Northeast with multiple locations used OTIF data to identify inventory management weaknesses and eliminate them. Inventory was its largest category of OTIF failures. Digging into the data, company leaders found that out-of-stocks and special orders were the two primary drivers. With that information in hand, the dealer formed an Improvement Team (manager, buyer, yard foreman, outside salesman) to investigate further and recommend ways to eliminate or minimize the problem.

The Improvement Team looked at individual orders and identified a handful of core issues. These included problems with the timing of receiving, the timing of transfers, out-of-date min/max triggers, no consistent communication from sales on unusually large order quantities, and order-picking errors.

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Advanced Warehouse Management System

Parkside not only takes pride in providing leading brands like DuPont™ Tyvek®, AZEK® and Nichiha®; we are dedicated to providing the best service possible in support of our brands. That is why we invested in our ***Advanced Warehouse System*** that has earned us a ProSales Excellence Award in Technology.

Over the course of nine months, the team addressed these issues and implemented permanent system fixes. "We started looking at our receiving process and found we had little discipline or consistency on how we received product at each location," says the owner. "There were instances of product hitting the ground at the yard and not being received into our system for four days." Not surprisingly, during that four-day window product was picked, loaded, and delivered. Inventory counts were way off.

As the dealer started to address receiving, it prompted a hard look at the physical space and location of product at each yard. Ultimately, the company implemented a strong inventory management system that started with a location system (every product has an assigned space in the yard, warehouse, or store). It also revised the min/max numbers, deployed a cycle counting system, adjusted what products were available at each location to reduce transfers, and included purchasing notifications in the sales process on high order quantities.

"The OTIF data really showed us where our biggest problems were," says the owner. "We overhauled our business processes and were able to eliminate out-of-stocks on 'A' and high 'B' items. Implementation of the location system, cycle counting, and receiving process changes enabled us to reduce our inventory from 12% of sales to 7.4% of sales." At the same time, the company improved its OTIF performance from 78% to 92%.

The whole process took some time. However the management team now has a different way of thinking about the business. In turn, that led to a different – and better – way of managing the business and its resources. This dealer was able to reduce its investment in inventory by more than $1.7 million.

MANUFACTURING

Another LBM dealer has been measuring OTIF for more than five years. The data provided was used to implement significant improvements in managing its manufacturing and distribution efforts. "When we started measuring OTIF we were at 64%," says the owner. "We're currently running at 83%."

Over the last five years, the dealer systematically addressed the obstacles to getting it right the first time. It changed its order process. When sales staff took orders for manufactured items, the orders went right into the plant for production based on the initial date requested. "We found that often, builders would push the date back but we'd already built the doors," says the owner. "We had to store them and were handling them more, which is all more cost and opportunity for error." The OTIF data indicated material handling damage and delays from locating the old orders were negatively impacting performance. So the company fixed it. Permanently.

"Now, we have an automatic e-mail notice that goes to the salesperson a week before the requested date," the owner explains. "The salesperson has to send an acknowledgement back to manufacturing before the order is released for production." Once the acknowledgement is received the order is scheduled, built the following day, and then shipped the third day. "We don't have any built orders hanging around in the warehouse," he adds. OTIF improved and the company lowered its operating costs.

SALES ORDER PROCESS

A dealer in the West achieved substantial improvements in the sales order process with great impact on OTIF. Analyzing the company's OTIF data management found that a large contributor to failures traced back to the sales process. Commitments were being made for special orders that couldn't be met. Delivery addresses and instructions were not complete. Contact numbers for builders or job supers were not included on orders or entered into customer files in the computer system. Commitments were made for first-out deliveries when they weren't available.

Clearly, it's hard to be successful when expectations are set that cannot be met. This company embarked upon an education process with its sales team. The sales team was given training on a new computer system to fill the "skill gaps." This training included a strong process on how to make delivery commitments to prevent overbooking first runs. The team began tracking quote and sales order entry and follow-up. Individual salesperson performance is now tracked and measured so it can be managed. The data led to a couple of personnel changes but more importantly, it led to improved performance from the balance of the sales team. The combined impact on OTIF has been noticeable. "We haven't been doing this too long but we've already seen an improvement in our OTIF score from 77% to 82%," comments the owner.

CULTURE & DISCIPLINE

"OTIF has a huge cultural benefit," observes a dealer in the Northeast. "It's really ingrained in our people, from order entry to order aging, the importance of getting it right the first time." That's a huge organizational advantage. It gets even better when the organization learns to continually identify the largest driver of OTIF failures and then creates the appropriate system fix. "We're making strides and looking at failures more from the perspective of 'what in the process is insufficient?' rather than 'who messed up?'" notes a dealer in the South. That attitude shift and change in perspective is key to creating a culture of continuous improvement. It keeps the focus on moving forward. It eliminates the tendency of employees not to report problems because they don't want to get anyone in trouble. It creates an open and healthy dialogue about improving service and getting it right the first time.

OTIF MATTERS

Market conditions are unlikely to change significantly in the next few years. Margin pressure is fierce and will increase. In this hyper-competitive environment controlling costs is crucial and price is paramount, but service still matters. Much more than a delivery metric, OTIF is a key performance indicator that can help you focus on what matters most right now.

There's so much people and organizations can focus on now that are beneficial for the organization. But there are only a few things that matter most. Use OTIF to identify the things that get in the way of getting it right the first time. Support your gut feel with data and prioritize your resources accordingly.

Businesses must be profitable today. We're heading into a challenging winter season and perhaps our most challenging six months yet. Costs need to be aligned and sales maximized. OTIF helps you do both. Harness the power of OTIF to drive your company's bottom line well into the black.

WHERE TO START?

Starting with OTIF can seem overwhelming but it's not. Simply start by educating your whole team on what OTIF is (WHOLE organization metric) and why it's important (it help you get it right the first time more often). Identify your reason codes or use my template. Then review your computer system and what data you can automate. Some systems produce a backorder report that is fairly clean for OTIF purposes; others include keystroke errors and will require some cleanup to use for OTIF.

Communicate the definitions of on-time and in-full.

On-time = met the time commitment we (the company) made.

In-full = all items on the ticket are delivered with no errors, backorders, or substitutions.

Present the tracking template and failure reason codes.

- Vendor: shipped late; damaged in transit; shipped wrong product/color/quantity/quality.
- Internal: sales; inventory; operations; delivery; accounting; manufacturing.
- Customer: ordered wrong product/color/quantity/quality; last minute change; etc.
- Other: weather delay, rail strike, etc.

Identify how the data will be captured and compiled. Determine who will be responsible for maintaining the data and analyzing it.

Start tracking. Use the broad categories for the first month. Review the data and then break out the category with the largest number of failures. It's a safe bet that the most problematic area will be internal issues. Break this out into more detailed categories and track for two to four weeks. Review that data and start with the area that's responsible for the largest number of failures.

Investigate and identify the root causes and then address them and fix the problems, permanently. Make it a system fix so that the organization will have a predictable performance regardless of which employees are involved. If a particular problem keeps cropping up, there's a system/process fix for it.

Once you have your solution in place, move on to the next largest driver of OTIF failures and address that. OTIF provides data. Use the data to confirm your gut feel and to drive efforts to improve.

Step by step, you'll systematically improve your organization's ability to get it ALL right the first time.

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DEMAND CREATION AND DOWNSTREAM MARKETING HELP DRIVE LBM DEALER SALES

As product categories become overcrowded with brands, builders ask retailers for unknown products found online, and space and inventory dollars stay at a premium, it becomes difficult for retailers to choose what brands to keep on hand. Partnering with the right suppliers becomes critical to stocking the right products and capturing the highest percentage of potential sales.

When trying to understanding the value of a good distributor, there is more than meets the eye. Most distributors handle basic functions relatively well, but few grow beyond the basics to support their customers by fully participating in the entire building channel. This is where distributor resources dedicated to demand creation come into play by aiding retailers in creating and managing demand. By educating builders and contractors, driving architect specification, certifying installers, and working with code officials, a premier distributor can help retailers by focusing demand on a smaller scope of high-quality products that sell through.

MANUFACTURERS VALUE DEMAND CREATION

Listen to manufacturers speak at various conferences and you will hear most of them incorporating downstream marketing as part of their strategy. This may include a trades-facing orientation of their sales force, builder certification programs, communications strategies, and more. True industry visionaries realize that all levels of the distribution channel need to be partnered for success. Manufacturers, distributors, and retailers must be aligned in educating and servicing the end-user to ensure that the leading brands stocked by retailers turn. It is unlikely that the channel can support such a kaleidoscope of in-kind products long term and be efficient.

HOW RETAILERS GAIN DOWNSTREAM SUPPORT

It can be hard to differentiate between suppliers and manufacturers when, on the surface, they seem to have so much in common. One way to make sure that you're getting the maximum return on vendor choice is to request information about a vendor's marketing strategy, focus of resources, business strategy, and willingness to partner in joint planning and initiatives. Identify whether a vendor has services and programs for the trades that can help build loyalty to the brands you carry. Does the company spend all its time focused on selling you when they could be working with you in supporting your customers? For a retailer, working with vendors to build a loyalty base of core products can provide a better return on inventory and marketing efforts.

PARKSITE AND DUPONT SET THE STANDARD FOR DEMAND CREATION

Yes, here comes the plug, but it's information worth knowing if you are in the business of selling weatherization products such as housewrap, roofing underlayment, and flashing. Downstream demand creation has been a part of the DuPont Tyvek brand strategy since the first Tyvek specialist started with Parksite in 1986. There is a reason the brand has endured besides leading performance.

The more than 100 Tyvek specialists currently in the field go through a five-year certification process based on a university-level curriculum to ensure the information and training they provide builders and architects is based on modern building science rather than marketing. The focused resource of the specialist network in supporting the trades is why Dupont Weatherization Systems continues to be a staple of quality building material suppliers.

The bottom line: Demand creation drives sales.

ABOUT THE AUTHOR

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Ruth Kellick-Grubbs is president of Kellick & Associates, an LBM industry consulting and advisory firm in Tyron, N.C. She works with LBM dealers, distributors and manufacturers across the US and internationally. For more information on OTIF and improving profitability contact Ruth at Ruth@KellickandAssociates.com.

About Parksite

Parksite is a 100% employee-owned sales, marketing, and distribution company serving many segments of the building industry, with a focus on both interior and exterior products. We are proud to supply the best fabricators and building material dealers with category-leading products for residential, commercial, and remodeling markets. Parksite provides consultative services and support for builders, architects, designers, remodelers, general contractors, and deck builders. We continue to research emerging products in existing categories and are actively looking for products to fit new categories as the building industry evolves.

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1563 Hubbard Avenue
Batavia, IL 60510

http://www.parksite.com

Thank You

As Parkside takes this moment to celebrate our 40th Anniversary we realize our success is the result of our associate's dedication, our customer's patronage, our supplier's support, and the industry's resilience. We are humbled by the richness of our history and emboldened by the potential of our future. Parkside is again positioned for growth and we are investing in people, products, and ventures to create opportunity for our customers and vendors. Our commitments are listed below as a reminder to ensure our actions stay consistent with our intentions. Thank you for your continued support and partnership.

As a Company, Parkside will…

Focus on Customer Needs in all facets of our business

Create Opportunities for customers, suppliers and associates

Invest in Relationships that create mutually beneficial outcomes in support of our mission

Anticipate Change and focus on the positive outcomes that can result from embracing it.

Sincerely,

George A. Pattee

George Pattee
Chairman and CEO

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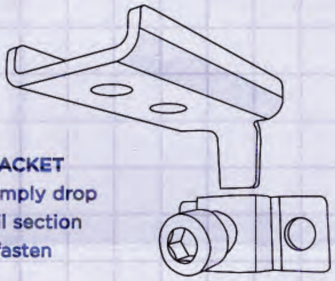
DuPont™ Tyvek®
DuPont™ Flashing Systems
DuPont™ RoofLiner

AZEK® Building Products
AZEK® Deck
AZEK® Trim
AZEK® Rail
AZEK® Porch
AZEK® VAST PAVERS

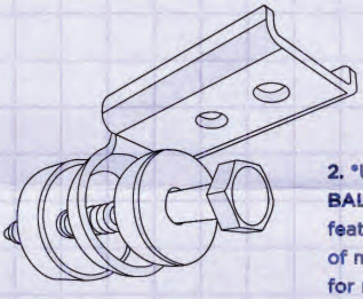
DUPONT® corian.
DUPONT® zodiaq.

WE MADE IT SIMPLE.

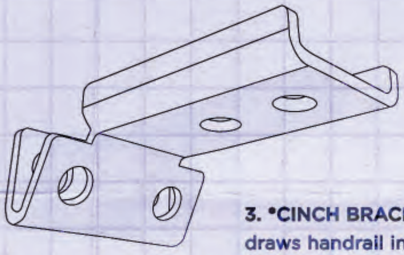
And trust us, that wasn't easy.



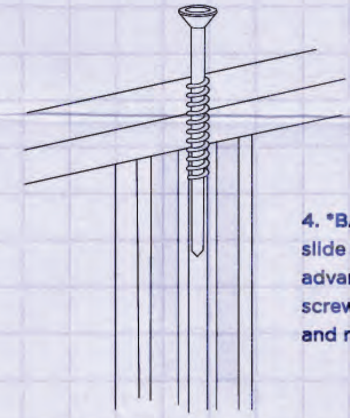
1. *BOTTOM BRACKET
allows you to simply drop the pre-built rail section into place and fasten from an angle.



2. *UNIVERSAL BALL BRACKET
features 35 degree range of motion, eliminating need for multiple brackets. Perfect for compound stair installations.



3. *CINCH BRACKET
draws handrail in snugly for a beautiful fit and finish.



4. *BALUSTER PIN SCREWS
slide into the baluster in advance so you can drive screws into place faster and more easily.

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