
BENCHMARKING

A POWERFUL TOOL FOR EVERY DISTRIBUTION MANAGER

Most distribution/logistics managers have heard about benchmarking in one way or another—probably mentioned in the same breath with Xerox, Motorola, AT&T and other leading edge companies. They've read about how this powerful tool helps such corporate giants maintain competitive advantage. Unfortunately, they're also likely to believe that benchmarking applies only to "the big guys" such as Fortune 500 companies with the money and resources to fund huge efforts.

Nothing could be further from the truth. Benchmarking isn't just for the Xeroxs and AT&Ts of the world. It's for any company interested in improving its processes on a continuous basis, regardless of size and sophistication. It's a process that can be implemented at any level—not just at the executive tier. People at the distribution center manager level can and should be looking at benchmarking.

Why is benchmarking important to everyone in business regardless of their title? If you don't become a better operator, you may lose out altogether. Your competitors will use benchmarking, and as a result, may be able to take away your customers. So it comes down to a matter of corporate survival. Given this information, how can distribution managers apply benchmarking to their operations?

One way is to follow the step-by-step approach outlined in the following paragraphs.

BENCHMARKING EXPLAINED

Before getting started, let's define exactly what we mean by benchmarking. AT&T's Benchmarking Group offers a good working definition: "*Benchmarking is a continuous process of measuring current business operations against "best-in-class" operations to improve quality and drive performance that meets or surpasses current industry standards.*"

"Ultimately, the biggest benefit of benchmarking is greater customer satisfaction".

According to an article in the March 1992 issue of Distribution magazine, most benchmarking goes on at the functional level. Companies use it to analyze and improve specific functions or processes. However, benchmarking also can occur at the strategic level—i.e., top management asking what their companies should be doing to remain competitive—although this type is far less common.

Robert Camp, manager of benchmarking competence at Xerox Corp. and a pioneer in the discipline, reports that one of the hottest areas

of activity right now is warehousing. "*It's a natural because it's such a quantitative area*", Camp observes. Other functions getting a lot of benchmarking attention include inventory control, order processing and customer service.

THE RIGHT STEPS

The benchmarking process follows a logical sequence of steps, the first of which involves deciding which process to benchmark. One way to do this is to identify which function causes the organization the most trouble, or which has the greatest impact on the customer.

Next, identify the key performance variables for the selected function. These include such items as efficiency (time, cost, productivity), and quality (meeting customer requirements).

Then, document current processes and flows, looking at both the physical activities as well as the supporting information system flows.

In the receiving area, for example, look at receiving functions like scheduling. Ask yourself,

- *How do I schedule my deliveries?*
- *What advance information do I have?*
- *Do I know the incoming SKU*

numbers and quantities?

- Or, do I just get notification that a truck will arrive from vendor X, with no data or content?
- Worse yet, do inbound shipments arrive at my dock without notification?

Knowing exactly what's on incoming trucks allows the distribution center manager to pre-assign warehouse space and schedule labor in advance. The manager can print barcode labels ahead of time and have them waiting for the goods when they arrive. He also can balance the workload so there are fewer peaks and valleys in terms of labor demand.

This kind of individual process analysis is very valuable for companies because most have only a sketchy idea of how things work. They frequently are surprised at what they find going on in a function. But it's important to keep the analysis at a summary level. Don't get bogged down documenting every detail. Management isn't interested, and you don't need the detail for benchmarking purposes.

The fourth step in the benchmarking process is to identify competitors and best-in-class companies with which you want to benchmark. In the interest of learning how to improve, it's useful to look at competitors and non-competitors.

The thing to watch out for with competitive benchmarking is that managers tend to get defensive about their operation. The point with competitive benchmarking is to avoid finger pointing, and use it as a learning tool with no blame attached. Otherwise, your results will be disappointing.

Best-in-class information is relatively easy to come by. Many such companies are willing benchmarking partners, pleased to host site visits, and provide pertinent process

information.

Competitive benchmarking data, on the other hand, may not be so readily available. If you can get it, it may mean more to your management than best-practice information because you can say, "Computer X is doing it this way, and we're doing it that way. We need to improve to stay competitive."

Competitive information doesn't have to be proprietary information, and you don't need to hire a corporate spy to get it. The best sources for this information are industry meetings, professional organizations, equipment and systems vendors, and business publications.

Benchmarking step five involves deciding which competitor or non-competitor practices would most benefit your organization. Look at practices from a strategic quality and customer satisfaction standpoint—not just from a cost cutting perspective. Labor savings and cost cutting are not the main reasons to do this.

In the case of the receiving function, assess what benefits you'd gain if you started scheduling your incoming shipments, and receiving detailed information about contents from your vendors. If you supply retailers for a spot sale, for instance, you may be able to improve your delivery timeliness by getting more complete inbound shipment information and using it to schedule outbound deliveries. You may find out you need to expedite a shipment in order to meet a sale date. You can make such arrangements ahead of time and notify the stores.

One note of caution when reviewing others' practices for your company: Don't just copy what others do. The way another company does something may not exactly fit your situation. Instead, evaluate the practice and modify it to suit your needs.

At times, adopting another company's "best practices" requires a capital investment. If that's the case, the distribution manager will have to go through the justification process. If the changes are merely procedural, no such justification is required. In many cases, the distribution manager has the authority to institute the changes immediately.

One of the keys to successful benchmarking is to find partners within your company to support your efforts. Look for partners in other departments whose performance will be improved by your efforts. If you prove to the vice president of sales that a capital investment in radio frequency and bar coding technology will help the company service customers better—a fact that sales can use as a marketing tool—he may be willing to go to bat for you in the justification process.

SATISFYING CUSTOMERS

Benchmarking is a time-consuming and often difficult process, but can pay big dividends if successfully implemented. It forces companies to take a long look at their current practices—an analysis that often leads to immediate process improvements. If the distribution manager takes a lead role in championing benchmarking, he gains new visibility in the company. This visibility can't hurt, particularly in this environment of corporate downsizing.

Ultimately, the biggest benefit of benchmarking is greater customer satisfaction because it improves processes and allows companies to meet customer needs better. In the words of one benchmarking expert, "Benchmarking seeks ways to meet customer needs, not just produce some percentage improvement over the last few years. It will assure the continuous positive change needed to get ahead

stay ahead."