

Understanding the 5 Rights of Logistics as a Component of Business Growth

With today's information technology advances, it is difficult to imagine how we ever got along without them. In healthcare technology has changed the landscape of the *Five Rights of Patient Safety*. The Five Rights initiative has reduced costs and saved countless lives by automating patient care processes through barcode data collection and real-time information sharing. Effective patient care was established as the result of the coordinated efforts of a patient care team whose hands-on caregivers have barcode scanners or mobile computers to enhance their ability to do their jobs.

Giving medications safely is one example of a complex task that caregivers are expected to do—and do perfectly every time. The accuracy standard is expressed as “*The Five Rights of Medication Safety*,” that is, Right Patient, Right Drug, Right Dose, Right Route, Right Time.

Technology can enable caregivers to perform their tasks at levels of effectiveness that are otherwise impossible to achieve, but successful implementation occurs only if it is part of a systematic transformation of the clinical care process. If tracking information through data collection devices and IT infrastructure works for healthcare, then it most certainly should apply to other markets as well.

The 5 Rights of Logistics

The same philosophy for the patient five rights initiative applies to logistics. With manual processes, errors are more likely to occur in the picking, packing and shipping operation each time an order is filled. For shipping and logistics, the 5 Rights standard is, Right Goods, Right Quantity, Right Place, Right Time, Right Price. With these standards in place, the focus is on achieving cost efficiencies, reducing waste and increasing the level of customer service provided by the organization.



Key Takeaways

- 5 Rights Defined
- Operation Changes in Changing Economic Times
- Integration of Marketing in Logistics
- Creating Customer Service Excellence

How critical are the 5 Rights? Ask your customers. Today's buyer has little time, budget or tolerance for error. With respect to consumer goods, brick and mortar companies are constantly faced with the competition of their online counterparts simply due to the "time" it takes to make a purchase. Brick and mortar and online organizations have one thing in common: Both need to store product in a warehouse, and have the ability to accurately and efficiently pull goods from inventory to fill orders.

Sound simple? One order at a time can easily be managed, but what about 500 or 5000 orders going out the door each day? Pickers can easily pull information, but what about the process of shipping? By integrating technology with the order filling process, efficiencies will increase, labor costs will reduce, and transportation costs will be controlled through a finely-tuned, highly-automated process. With barcode technology today, more real-time information can be gathered.

In order for the order fulfillment process to work correctly, the following components must be identified:

- Correct product
- Correct quantity
- Verify that the customer, shipping method and shipping cost are associated with the customer requirements on the order

In terms of order fulfillment, the operator uses either a mobile computer or a handheld scanner to read the barcode on the goods being pulled. The information in the barcode verifies the quantity ordered and the goods being pulled from stock. As the goods are picked, they are scanned in and verified. If the quantity is incorrect or the product is incorrect, the software driving the device will indicate an incorrect product or quantity.

Easy and reliable barcode reading over a broad range of circumstances is critical to the success of this solution. Reading the barcodes and pulling the correct products are the critical interface points between the operator and the "5 Rights" process. The entire suite of technology will lose its value if the very first step, reading the bar code, is difficult and frustrating to the user.

Operation Changes in Today's Economy

In today's economy, budgets have slimmed, labor has been reduced, and customers are more and more demanding. Staying in shape during a recession allows businesses to become increasingly savvy and operationally fit. Organizations who maintain a smooth cadence within the 5 Rights of Logistics will weather the storm.

IT changes are good investments in tough times. Part of becoming 'operationally fit' involves the task of improving the speed and accuracy of the process itself. Without the proper tools, the information going in to the organization may negatively affect the output. The right WMS, coupled with an automated shipping management solution, can provide an almost immediate return on investment and enable organizations to not only save money on labor and transportation costs, but also enable them to provide real-time communication to their customers with advance shipment notification.

There are countless benefits tied to upgrading or improving systems management. However, survey research indicates that while the majority of companies agree they could improve and streamline their infrastructure, most have not changed or improved their technology even though it could reduce the time they spend on activities (like carrier selection) by nearly three-quarters. What many do not realize is that most manual processes today, although familiar, are often more costly ways of doing business.

The Need for Marketing in Logistics

The definition of marketing is the process of planning and executing the conception (product), pricing, promotion and distribution (place) of goods and services to create and maintain relationships to satisfy individual and business objectives. The “four P’s” of the marketing mix require that for a firm to be successful, any marketing effort must integrate the ideas of having the right product, at the right price, marketed with the proper promotion, and available in the right place. Logistics plays a critical role, particularly in support of getting the product to the right place.¹

Understanding and realizing the requirements of your target market allows you to operate more effectively than your competitors. A customer-focused marketing approach believes that an organization leads with the customer needs in mind. The marketing concept is a “marketing management philosophy” which holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering more effectively and efficiently than competitors. This concept is a customer-focused perspective based on the notion that businesses exist to meet customer needs. That said, logistics is a critical component of customer satisfaction.

Place

Place is the key element of the marketing mix with which logistics interfaces directly. “Place” expenditures support the levels of customer service provided by the organization. This includes on-time delivery, high order fill rates, consistent transit times, and efficient costs. Customer service is an output of the logistics system. When the organization performs well on all elements of the marketing mix, customer satisfaction occurs.

¹ www.jetef.com

Creating Customer Service Excellence

Customer service is a customer-oriented philosophy which integrates and manages all elements of the customer interface within an ideal cost-service combination. Customer service involves getting the right product to the right customer at the right place, at the right time, and at the lowest total cost possible. Good customer service supports customer satisfaction, which is the output of the entire marketing process. Customer service excellence starts with consistent delivery of goods and information.

Logistics Communications

Communications are becoming increasingly automated, complex, and rapid. Logistics interfaces with a wide array of functions and organizations in its communication processes. Communication must occur between:

1. The organization and its suppliers and customers.
2. Major functions within the organization such as logistics, engineering, accounting, and production.
3. Members of the supply chain, such as intermediaries and secondary customers or suppliers who may not be directly linked to the firm.

Communication is key to the efficient functioning of any system, whether it’s the distribution system of an organization or the wider supply chain.

Transportation

A key logistics activity is to actually provide for the movement of materials and goods from point of origin to destination. Transportation involves

selection of the mode, the routing of the shipment, assuring of compliance with regulations in the region of the country where shipment is occurring, and selection of the carrier. It is frequently the largest single cost among logistics activities.

Many considerations are made when managing the transportation arrangements. Requirements coming from both the organization and the customer must be clear in order to maintain service excellence and operational efficiency. When considering features for a shipping solution for your business, the following criteria should be considered:

- **Optimal Service Selection**—The ability to select the optimal carrier based on delivery commitment and cost (or a combination of the two). Configure rules based on your criteria.
- **Reporting**—Creating reports on an ad hoc basis with logistics analytics at your fingertips. Time spent on customer service calls will be greatly reduced by having complete information readily available.
- **International Documentation & AES Filing**—Process international shipments as quickly as domestic shipments and meet government requirements for AES electronic filing.
- **Shipment Notification**—E-mail complete shipment information to customers. Message notification can be customized to add a personal message, product promotion, etc.
- **Shipment Tracking**—Save time on customer service calls with easy access to shipment history, tracking numbers and delivery status.

Summary

Your customers have their Rights. They want the right goods, in the right quantity, going to the right place at the right time and at the right price. Making this a priority in your organization will allow you to provide your customers with an exceptional service experience and keep you ahead of the competition. Having the right systems and solutions in place to satisfy these needs will be key to operational excellence and consistently providing exceptional customer service.

Examine your current operation and ask yourself: Where are our bottlenecks? What is our shipping accuracy rating? How are we perceived in the marketplace? Understanding the challenges will uncover the obstacles to achieving excellence in your business.

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