

When Customers Demand Barcodes

At a recent meeting about the use of bar codes, several managers from both manufacturing and distribution companies were complaining about letters they had recently received from major customers.

The letter was very straightforward: all orders shipped to this customer would need to have the enclosed bar code labels attached in designated places by a certain date. Failure to comply by this date would result in NO MORE ORDERS!

Even though these managers had just completed a course on bar coding, they still had no idea what to do next. To make matters worse, they thought this was a one-sided deal that only benefited their customers and wondered why they had been singled out to comply.

What these managers had received were 'Compliance Labeling' letters which are being sent out by thousands of companies. In order to speed the process of implementation, most of the companies are placing deadlines rather than relying on voluntary compliance which has proven to be a long-drawn out event for those who have tried it. Industries using bar codes typically can trace the source of their motivation to customer mandates. Suppliers to the automobile industry, food retailing, general merchandise retailing and U.S. government all were given an ultimatum to use bar code or lose their customer's business. Mandates work!

Benefits of labeling

There is no disagreement about the need for a standardized shipping label for use among trading partners. The goal of both the customer and supplier in this competitive global environment is to reduce costs and streamline the flow of accurate information about inventory as it moves through the supply pipeline. The final result: more of the right inventory will get to the right place at the right time.

As we know, bar coding can help reduce picking and shipping errors, ensuring that orders are filled accurately. While reducing the number of inaccurate shipments and irritated customers, bar code labels also reduce the cost of correcting and reshipping goods. In other words, compliance labeling delivers benefits to **both** customers and suppliers alike.

When a company examines how they do things and the consequences of present methods, they discover that bar codes can affect many components of their operation in a positive manner. Some of these ways include:

- Automate receiving and distribution to other locations.
- Provide input for traceability within all systems.

- Reduce errors by scanning bar codes for each phase of the operation.
- Increase material handling throughput by eliminating the need for re-labeling elsewhere in the distribution pipeline.
- Provide cross-docking capability as a method of moving product from your dock to the customer's dock without putting it into temporary storage.

Any one of these can be enough to justify an investment in new processes such as bar coding and therefore motivate management.

Understanding what your customer wants

Getting started with compliance labeling requires a clear understanding of what your customers want done.

- First, break down the components which are included in your specification which will help you understand the information required on the label.
- Make sure you understand the value of that information to your customer and how that data will be processed and used by them.
- Label requirements to watch carefully include:
 1. What numbers should appear on the label.
 2. What data should be printed in human-readable form.
 3. What data should be in bar code form.
 4. What bar code symbologies are acceptable.
 5. The ranges of acceptable label sizes.
 6. How the human-readable information and bar codes should be arranged on the label.
 7. Where the label should be placed on the item/shipping container.

Many industries have developed a label standard which can be used as a guideline when working with the customer about their needs. The role of standards is to include as much frequently-needed data as possible on a label, as well as limit the number of label variations that need to be printed for each different customer.

What labels do

There are usually two types of labels. One is for the individual items and one is for the shipping container.

The shipping container is typically scanned at your customer's receiving dock to confirm the manifest. This label does not distinguish between individual cartons containing the same product and quantity. There are many times when a label contains an additional bar code symbol that references the contents of an individual carton to a central data file. This bar code can contain standard information such as manufacturer ID, package type and a unique shipping container serial number. This permits the customer to check each individual carton in the shipment against the manifest.

Many times the additional bar code symbol is sent to the customer in advance via EDI. It is generally accepted that without EDI, these shipping labels lose most of their value. This computer-to-computer exchange tells your customer what to expect in the next shipment before the cartons ever leave your dock.

Once the cartons arrive at the customer, the serial number on the shipping label permits them to cross-check the receipts and preprocess the disposition of the items to specific locations. This is the point at which cross-docking can become a reality.

Organizing the Project team

The key to success of a compliance labeling project is an experienced team from different departments. Representatives from the shipping to the computer department should be included. This team will focus on the mechanics of developing procedures to print and apply labels required by your customers.

One key member of the team should be the company's Bar Code Coordinator or 'watchdog'. This person's job is dedicated to coordinating all bar code projects. All communications between customers requiring labeling and your company should be the responsibility of the bar code coordinator. If you don't control requests from suppliers, customers or even your own staff, the resulting situation can be very costly. The individual you designate to be the coordinator does not need special technical knowledge; rather, they must know how bar code and EDI technologies affect the way you do business. Your coordinator should also have a good knowledge of both order processing and purchasing/receiving.

One of the key responsibilities of the team is to develop a step-by-step implementation plan to accomplish the following tasks:

- Prepare the information system to supply the right data. Map the label's information to your system information.
- Prepare a list of guidelines and standards so everyone does not have their own custom version label.

- Decide how the labels will be printed and applied.
- Select the equipment, install and test for a full range of labeling requirements.
- Make labeling a routine part of the shipping process.

To be successful, the team must be able to identify savings in their departments from the proposed changes in flow, describe in writing the procedures to be followed and implement changes or decisions reached by the team.

The Information System

In all likelihood, your company's current information system is not ready to supply the data in the form the customer wants. New requirements may mean development which may affect a wide range of activities at your company including order entry, order picking, inventory control and invoicing.

While most companies have long focused on the superstructure of their information system, industry leaders are taking a new look at how and where informational data enters the system and evaluating who has access to it. Accommodating these new requirements will certainly place new demands on how the MIS departments process information.

Several obstacles may make implementation of the new information system more difficult. Some examples of the more common obstacles include:

- Fulfilling special requirements for individual companies
- Performing a carton count sequencing label such as 'Carton 1 of 6'. (In this circumstance you must know how many cartons are in the order before any labels can be printed).
- Gathering all the information for the shipping label when and where it is needed.
- If the bill of lading number is required on the label, then labels cannot be printed until the entire order is picked and packed.

One of the most important points to remember when focusing on your information system is that unique carton and pallet serial numbers play a vital role in product tracking, increased inventory accuracy and more efficient shipping and receiving operations.

Getting ready to label

Where the labels are to be printed is usually one of the first decisions to be made. Off-site printing can be a good solution if the information is not dynamic. On the other hand, most customers are going to require information which is dependent on each order, thus requiring you to have on-site printing.

Beyond the printers and software, the team must also decide on the physical locations of the printing stations as well as how and where the labels will be applied.

Time to Label

The information systems must feed information to the label printing system. In turn, the printing system should be able to pass shipment information back up to the central system for communication by EDI or some other technique to your customer.

During the startup, it is important that you submit samples of the labels to your customer for approval. Once your labels are approved, it is up to the team to ensure that the same level of quality of labels are duplicated on a day to day basis.

In Conclusion

Some of the reasons for developing and implementing a bar code system include: compliance labeling, increased productivity, and more timely and accurate information. Management must be constantly looking for ways to increase productivity. Bar code solutions provide the opportunity for you to improve your internal operations, satisfy customer requirements and achieve an excellent payback.

Typically, the best solutions serve equally well a company's short-term and long-term plans while removing as much waste as possible from the supply pipeline. The degree of difficulty to accomplish successful bar code integration has a lot to do with the integration of your business systems and the ability of your company to search for, accept and implement technical solutions to business problems.