Health Profits Academy:

Session 4 – Class Notes

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1) **Fulfillment:**

- Amazon has set the standard. We expect to get packages delivered in just a couple of days. The bar is set very high.
- Newgistics understands the needs of dietary supplement companies. They are now going after larger clients and not bringing in the small startup clients at the moment.
- Tom Behnke, of Newgistics, recommended a couple of companies at the event. One was Webgistix, which is now owned by Rakuten. This resource is being added to the Rolodex.
- Planet Fulfillment works with a lot of dietary supplement companies, and they're a good option.
- You may hear the term '3PL', which means third party logistics. Buck simply refers to companies like this as fulfillment partners.

2) **Things to Look For:**

- You want a company that has a consultative approach. They should also have very responsive account management.
- Take a manager approach when communicating with these companies. Have a set of questions or criteria to submit to them. See what their responsiveness is to things, and ask them what their customer intake process is.
- Don't go with a company if it is their first time rodeo when it comes to working with dietary supplement clients.
- It's very important that your fulfillment partner understands what I means to service the needs of a dietary supplement client. They understand current good manufacturing practices as it relates to a fulfillment operation and they have written standard operating procedures (SOP) for returns processing.
- They not only need SOPs, they need people designated for returns process.
- You need to ask what kind of software they are using to manage their outfit. In this day and age, this is the norm. If they are doing everything with spreadsheets, that's a problem.

- You want to make sure that they can integrate with whatever shopping cart system that you happen to be using.

- Obviously, you want competitive pricing. If you're trying to shortlist some fulfillment partners, it's recommended that you request a proposal from more than one.

- You also want to make sure that they will be consultative to you when it comes to shipping both in terms of cost and in terms of time.

- Offering overnight, two-day, or even one-day options can actually add some revenue because you can charge a little bit more for those options.

- By and large, if you can get products out to your customers in an average of three days, you're doing well.

- Be sure to ask what it will cost on a discreet order basis to ship an order. Also, ask what you'll be billed for the fulfillment fees.

3) Handling Inventory

- The next step is to make sure that you get the product from your contract manufacturer to your fulfillment center.

- Bookkeeping and accounting is related to management of inventor. One of the staff members at RealDose handles the accounting side to manage inventory. She handles the interface between the contract manager and fulfillment center. She tracks the inventory and takes care of the documentation.

- Once you find an accounting firm to work with, you may be able to work with them to handle this aspect of your business.

- Buck recommends Work the System by Sam Carpenter. This will help you to learn how to document procedures so that you can systematize things and put things on autopilot.

- LTL stands for 'less-than-truckload', which means that your shipment is only going to take up a few pallets, so you're going to be sharing the load with some other customer's pallets.

- Frieghtquote.com is a great resource to use in terms of customer service and rates.
- You want to make sure that you get insurance in case the driver falls asleep at the wheel, the truck rolls over, and all of your product gets damaged.
- If you are doing smaller quantities, like 300 or 500 units, you could use UPS, FedEx, and maybe FedEx freight. FedEx freight is more of an LTL provider, but you could use FedEx Ground as well as DHL. What you use will depend on the dimensional weight cost.
- Buck tends to use UPS because he has a business account with them, and he says that they provided him with great rates.
- A 'manifest' is a purchase order that indicates what will go on the truck and what to expect when you receive it. This is something that your bookkeeper or accountant could fill out for every shipment that leaves your manufacturer.
- Your fulfillment partner is going to have a standard packing slip. It's going to have your logo on it, and it's going to need to have your return processing address on it.
- On your website, you'll want to have the returns processing address as well as your corporate address.
- Some fulfillment centers will kit your products for you if needed. They will usually charge you a flat fee per system they kit. It's not normally feasible to have your contract manufacturer do the kitting for you because you'll be shipping the supplements into the fulfillment center from one place and the retail boxes, instruction manuals, etc, in from another.
- You might want to include inserts in your packaging such as a thank-you card to the customer or a special offer page. You might also have a promo offer included or a small sample of another product.
- It's recommended that you never specify the shipping method. In other words, you don't want to say "It's going to be shipped by UPS." or "It's going to be shipped by FedEx." Keep this option flexible so that you're able to use whatever shipping method is best based on the partner, the location of the warehouse, and the cost.

- Sometimes partners will have tricks up their sleeves for minimizing friction that might occur when items are shipped internationally. You'll want to have a conversation with your account manager about what they can do to minimize issues for overseas shipments.

- You need to be able to identify which order was processed in case of a return. Therefore you need to ask "How do you notify me as that a return has been received so that I can credit the customer?" You don't want to have any delay in taking care of a customer and refunding their money.

- You want to avoid frustrating your customer. They can not only report you to the Better Business Bureau, but they can report you to review sites like Ripoff Report or Consumercomplaints.com. Besides, you just plain don't want to lose customers. So, pay attention to any communication from your customers.

- If a customer requests a refund, it's worthwhile to go ahead and return their money immediately. Let the customer know that you expect them to return the product, but don't wait for the product to get returned because stuff happens. For example, you might miss the signal that the item has been returned.

- RealDose will sometimes put a thank you card that thanks the customer for their order and reminds them that they have made a great move by buying the product. It also informs the customer of why RealDose is different, how they adhere to science, how they do third-party testing, how they adhere to good manufacturing practices, and how they apply the 'Mom Test' to everything that they do.

- Something needs to happen to get your order information straight from the cart to the fulfillment center. This should be an integration layer that your fulfillment center should provide. There may be an additional fee associated with this.

- You can give your customer service agents access to look at shopping cart info, but be careful about what financial controls you give to your personnel. There should only be a very, very limited number of people who have access to anything financial in the company.

- You absolutely want to have a very, very tight GMP compliant, documented quality assurance (QA) process for handling returns. In other words, you want your fulfillment partner to have good documentation and QA personnel that handle returns, and be sure that they are trained to do so.

- Don't take any risks when it comes to errors such as shipping out an open bottle that another customer has returned. "When in doubt, throw it out." Buck says. Buck says that he's gotten returns where customers were able to open the product without even removing the neck ring, for example.

- Companies like Amazon.com will not bring any dietary supplements back into inventory. That's the safest way to go about it.

- Stock-outs are kind of a success/disaster scenario. It's great because you're moving a lot of product, but you don't really want to have empty pallets and orders coming in. It's pretty common in this industry, but try to avoid these as much as possible.

- Your accountant can assist you in knowing what your re-order point is if you have them monitoring periodically. There's one metric that you need to keep track of, which is the number of units sold per unit of time. Buck advises that you use a week as a unit of time.

- Let's say that you're selling 1,000 units a week and the lead-time for manufacturing is eight weeks, plus it takes one week to get the product shipped to inventory. Add another week for accepting the inventory. That would mean it take 10 weeks. That means that your reorder point would be 10,000 units. So, when your inventory hits 10,000, you need to reorder.

- You also need to have safety stock, or extra stock you bring into inventory. This is going to vary based on promotions.

- The good news is that you're not going to paying to re-order. You'll pay 10 weeks down the track, and if your manufacturer allows for net-30 terms, you'll have 30 days after that.

- It's likely that even if you keep a close eye on your inventory, you're going to have stock outs. They aren't fun. There's a great article on re-order points at bit.ly/ReorderPoint. Check it out.

4) Customer Care

- If you were a customer, you would want to get your questions answered in a timely manner. You would want a care staff to be knowledgeable, friendly, and show that they care.

- Keep in mind that people want to get help on their schedule, not necessarily yours.
- There are ways that you can "wow" your customers without breaking the bank.
- Buck recommends moving through three different phases:
    - Phase One: You might consider is answering some calls or emails yourself. After all, no one is going to be more passionate and excited about your product than you are. You can learn a lot about what your customers want this way and feed that back into your FAQ process and your sales process.
    - Phase Two: You could have your email and live chat handled by your virtual assistant and then move your phone to a third party call center. RealDose uses TMS. This is being added to the Rolodex. Some companies, like Planet Fulfillment, do offer in-house customer care and order taking. Newgistics used to, but no longer do.
    - Phase Three: Now you're scaling up and moving towards a more formal care organization where you could potentially have a care manager that is really passionate and is recruiting and developing a team. This team could consist of a mixture of onshore and offshore agents that are handling your customer care through email, live chat, and phone.
- Your transition from phase one, to two, to three is going to vary based on the velocity of your business and how you want to invest in it.
- Take some extra time to find stars to hire for your customer service. Get excited and show passion about your company and the job opportunity so that you attract the right person.
- The ad Buck used to find customer care specialists can be found in the member's area.
- Buck screens people by having them follow some very specific instructions. He does this to see if they can pay attention to detail and follow instructions well. He first has them leave him a voicemail and then email him at a Craigslist e-mail address. You can use Google Voice account for your mailbox when you do this. While reviewing what people submitted, ask yourself a series of questions like:
    - Did they follow directions well?

- How did their voice sound?
- Do they sound cheerful?
- What was their energy level?

- The exact process that the team uses to find more team members for RealDose's customer care positions can be found in the member's area.
- As you encounter questions that come up again and again, you can categorize them and publish them as articles.
- If you create a knowledge base for your customers, not only is it going to make them happy to be able to get answers faster, but they are going to make a buying decision much faster. Another thing this does is reduce your customer service workload. You're going to be able to support more customers with your people, and your overhead is going to go down.
- You can train someone to go through the history of email interactions and categorize the questions and answers that they find.
- Five-star customer service training starts with you. It starts with your attitude towards your business and your customers. If your language indicates that you just want to make money and you're not concerned about whether or not your customers have a great outcome, your customer service personnel is going to have that attitude as well.
- Buck and his team have a subscription to "Zappos Insights". It's only $39 a month and you can get it at ZapposInsights.com. The cool thing about this is there's customer service training under Module 4. You can download the lessons and have your customer service people run through the training so that they have the same attitude, capability, and techniques that are used at Zappos. Buck highly recommends that you do this.
- Buck refers to a problem in a company as "a broken window". When you have a broken window in your business and you don't fix it right away, your customers are going to notice, your employees are going to notice, and you're going to let other windows get broken.

- Here’s a trick. Send out a communication where you basically ask “How likely is it you would recommend us to a friend?”, and have them answer by a scale of 0 to 10, zero being awful and 10 being fantastic. Afterwards, send out a follow-up email asking what it would take for your company to get a 10. It’s through replies to this email you’ll find the gold you need to fix your “broken window”.

- The ratings that you get back from your survey are calculated by subtracting the percentage of 0-6s you got from the number of 9s and 10s you got. That’s your NPS. At RealDose they track this number week-to-week to measure themselves. It’s recommended you do something like this too. If you’re not a 9 or a 10, figure out what you need to do to get there.

- At RealDose, they will get feedback from their customers by asking them to rate their agents from 0 to 10. They give the customer a means of leaving a narrative about their experience. Then they collect the positive statements and share them with each other. They also take the time to read the great customer reviews that they receive.

5) Your Team

- RealDose collects this feedback manually, but there are tools that you could use for this. One is called Nicereply, which integrates with your Help Desk system. Tools such as this make it much easier to keep track of things. Obviously, you won’t be adding this in Phase One, but you might start using tools like this when start getting into Phase Three of that customer service team progression.

- If you’re a strong leader, you’re going to check on people and get their feedback, but even in the virtual world, there are going to be things people won’t feel comfortable saying to you directly. There’s a program called TINYpulse that you can use to survey your workers on a weekly basis with a different question every week. This will give them the opportunity to give you feedback. You can have them answer the question by a scale of 1 to 10, and the program gives them a means to type out anything thing they want to say as well. Furthermore, it allows them to respond anonymously.

- RealDose actually won an award from TINYpulse, saying that they are one of the happiest companies. Buck believes that they have the happiest employees because of how they treat people, how they solicit their feedback, and how they treat them.

- At RealDose, they don't try to get their representatives to hang up the phone as fast as possible, especially if it's a customer care call or a pre-sales call. They don't grade them on how short their calls are either. Instead, they give their agents breathing room to respond, empathize, listen, and deliver a great interaction.
- You certainly want to talk about trying to keep things professional and moving ahead, but not by saying that you want to keep every call under four minutes long. That's going to put unusual pressure on them, which is going to show through to your customers, and your customer is going to feel slighted.