



ON-TIME LINE ITEM (OTI) *THE STORY BEHIND THE RULES*

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The Presentation will start soon! There may be silence before we start.



On-time Line Item (OTI)

The Story Behind The Rules

Topics

General OTD Review

OTI Rules & Their
Background

OTI Tips & Techniques

TL 9000 Measurement Philosophy

Why these measurements?

- Measure the organization's performance from the customers viewpoint
- Vital few
- Existing measures with broad usage in supplier management

On-Time Delivery (OTD) Basics

Purpose is to monitor organization's capability to meet *the customers need* for timely product delivery.

OTD is comprised of 3 measures:

- OTI On-Time Item Delivery (% accepted on the CRD)
- OTS On-Time Service Delivery (% accepted on the CRD)
- OTIP On-Time Item Delivery to Promise Date
(% accepted on SPD)

On Time Delivery

$$\text{OTI} = \frac{\text{Line items with CRD in month delivered on time} \times 100}{\text{Line items with CRD in month}}$$

$$\text{OTS} = \frac{\text{Services orders with CRD in month delivered on time} \times 100}{\text{Service orders with CRD in month}}$$

$$\text{OTIP} = \frac{\text{Line items with SPD in month delivered on time} \times 100}{\text{Line items with SPD in month}}$$

On-Time Line Item (OTI) Rules
&
Why They Are as They Are

Rules

- 1) Acceptance shall be defined according to purchase order and/or contract terms and conditions unless notified otherwise by the customer.

Customer and the organization need to agree on when the delivery is completed.

- 2) Order types can be a line item or service.
The two types require differentiation.

Rules continued

- 3) Due dates and delivery dates are considered to be one 24-hour period, the customer's calendar day, unless a different delivery window is agreed to by the customer.

Need to define a base delivery window.

Rules continued

4) Early order completions or deliveries are considered to have missed the delivery date unless agreed to by the customer.

Allows the customer to plan and prepare for the delivery. There are many circumstances where early delivery is not possible or places a burden on the customer. Also have been cases of suppliers shipping early to make quarterly sales numbers

5) (Applies to service orders)

Rules continued

- 6) The Customer Requested Date (CRD) is the desired delivery date of items or services as defined by the customer's purchase order and/or contract at order acceptance. The CRD is the initial requested date as in the contract or, in the case of customer requested changes, the revised date. Changes to the CRD may not be initiated by the organization.

Places the customer in charge of setting the due date. Prevents the organization from pressuring the customer to change the due date.

- 7) and 8) (Apply to OTIP)

Rules continued

9) The monthly OTD data shall include all orders having the CRD or SPD occurring during the month being reported.

Defines what data is to be included in the report month and set common baseline.

10) For service orders, the CRD is the customer requested date for completion of the service. For line item orders, the CRD is the customer requested date of delivery on site and is not the date the customer completes their acceptance testing, unless so specified by contract.

Makes it clear when delivery has occurred.

Rules continued

11) Line item delivery occurs on the date when the shipment was actually delivered to the ship-to address. This date may be derived by adding the transportation interval to the actual ship date. Where customer authorized early shipment(s) apply, delivery intervals may be adjusted to accommodate for the early shipment(s).

Communication of when something has been received places a burden on the customer and the organization. The information received from the shipping company is sufficiently accurate.

Rules continued

12) The delivery of a line item order may occur at the organization's facility if the customer provides or specifies the shipper to be used for the order.

Once the customer takes control of the item, it has been delivered to them.

13) Compound orders designated by the customer for a single delivery, for example 'must ship complete' orders, shall be treated in aggregate. If one line item is late, then all line items shall be counted as late.

Prevents partial shipments when the customer needs everything at the same time.

Rules continued

14) Bulk orders, such as blanket purchase orders, shall be considered complete if all items committed to be delivered in the order are delivered within the timeframe specified in the bulk order agreement, for example, weekly, monthly, etc. Each scheduled delivery date should be treated as a separate line item.

Needed to define how orders with deliveries over time, instead of a fixed CRD, are to handled.

15) (Applies to OTS)

Rules - Exclusions

- 1) Orders for which the CRD is earlier than the date the order is received by the organization are excluded from the measurement.

Orders often get delayed while getting reviewed and approved.

- 2) Software deliveries that are not physically shipped or downloaded by the organization to a customer location are not counted. (This is considered the release of a new software design.)

There is no actual delivery to be measured here.

- 3) Material that is part of a service delivery by the organization should not be counted in the line item delivery measurement.

The organization should not get credit for delivering to itself on-time.

OTI

Tips and Techniques

Tips

Talk to your customer

Set up rules and expectations with the customer prior to their sending in a PO

- Early delivery OK unless otherwise specified
- Delivery window instead on single day
- Minimum intervals

Tips

Get agreements into master contract

Can negotiate standard delivery interval

If you have many customers, put these in your standard terms and conditions

Tips

Set “ASAP” or blank CRD values to promise date rather than exclude

Do the same with CRD's less than PO receipt date (with customer agreement) Note – must do this before a PO is received

Tips

Build CRD determination rules into ERP system

Build exclusion rules into ERP system or query tool

Tips

Keep snapshot of raw data
to show auditor

Summary

Work with your customers to understand their needs and then set expectations based on your capabilities wherever you can.

All real data are bad.

*If you wait for perfect data,
you will always be waiting.*

Contact and Reference Information

On tl9000.org -

- Examples
 - https://tl9000.org/handbooks/mh_examples.html
- FAQs
 - <https://tl9000.org/alerts/qa/meas/otd.html>

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