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Accelerate Backorder Resolutions With Cross-Functional Collaboration

eBook

Backorders are a common nuisance that service organizations deal with on a daily basis. When left unmanaged, backorders can rapidly accumulate, putting your organization into a deep hole that takes much longer to climb out of. This creates a much bigger problem than if they had been proactively managed in the first place. When you're allocating people and resources within your planning organization to consistently spend time solving backorders, you end up in a downward spiral that can lead to catastrophic consequences — including spending a significant amount of resources, time, and money to resolve the issue.

Having a proactive approach to backorder management is one of the most important things your organization can do to avoid and resolve these issues quickly. This means fewer unhappy clients, less unnecessary costs, and stronger relationships. In this eBook, we take you through everything you need to know to stay ahead of pesky backorders so you can always provide the best client experience with the least amount of wasted effort.





What Is a Backorder?

A backorder is generally categorized as a product that is temporarily out of stock. In the Service Supply Chain, and in the way Baxter Planning defines a backorder, it is specifically when you do not have the right part at the right place at the right time. This means that you do not have the right part to fulfill customer or technician demand, and that part is not available at any other location to remedy the issue.

Backorders are common, and if you're in this industry, you've most likely dealt with your fair share. During COVID-19, service organizations faced unprecedented challenges, logistic disruptions, and an alarmingly increasing amount of backorders. This left many people waiting on parts and products for weeks, if not months. Backorders present a unique challenge for businesses because, unlike a [stockout](#), you can't just expedite a part from one of your other locations, because there aren't any in your entire network. This means that, when all else fails, you must try to find that part another way.

This can prove especially vital and time-sensitive when there is a critical backorder and a part is needed as soon as possible. Take the medical industry for example. A hospital does not have time to wait on a part to repair a broken MRI machine, anesthesia machine, or patient monitor when they have a life-or-death situation playing out. A patient needing surgery may not have weeks to months to wait for a certain part to make its way to its intended destination when they need a life-saving operation. Situations like this show us just how important having a proactive backorder management strategy in place is to reducing and solving backorders.

Cut Your Costs Through Proactive Backorder Management

We have yet to mention one key piece that plays into not having the right part at the right place at the right time, and that is the cost. More than this, we need the part at the right cost. When planning, it's almost impossible to have zero backlogs. One reason for this is that it may cost too much to stock a part that only gets used once in a while, like once a year near a customer site. One solution could be stocking these types of parts centrally, or another is finding some other alternative part to be used in its place.

There is a balance between the cost of not having a part versus the cost of stocking that part. It ends up coming down to the probability that you're going to need to use that part over a set period of time. Having a proactive strategy in place for when these situations arise helps set your business up for success in dealing with problems caused by backorders. Each organization is different, with different parts, products, resources, and needs. What works for one company may not work as well for another, but the impact stays the same – you need to get a part somewhere, fast.

Not every situation will be a critical backorder, like in our hospital example, but they are important nonetheless. One example is needing a part to perform routine maintenance on a certain machine. While not as critical and timely, proactive maintenance is in place to prevent these machines from breaking in the future, so staying on top of managing backorders is a truly proactive way to keep operations (and machines) running as smoothly as possible.

Better backorder management leads to better decision-making. With a proactive strategy, you can greatly reduce the effects caused by out-of-stock parts and quickly track down the parts you need to meet your customers' needs.

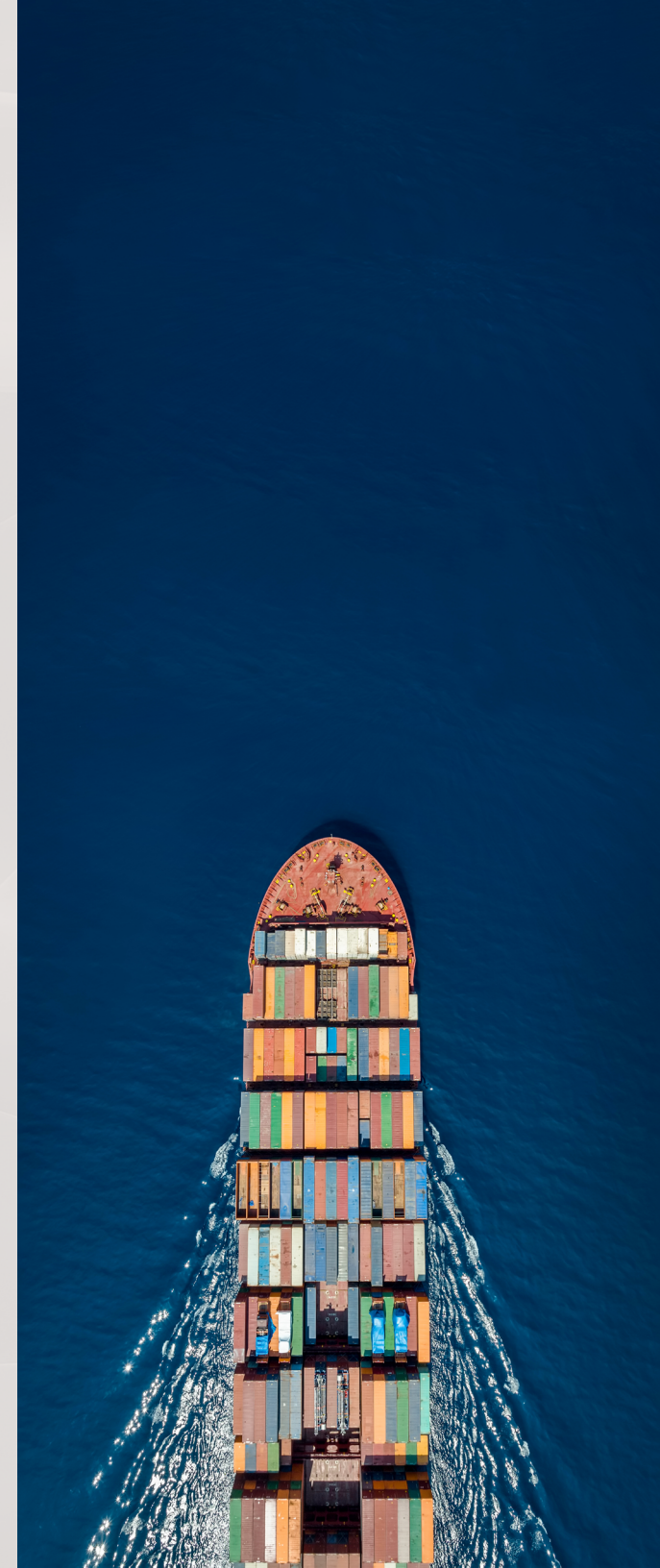
Common Causes of Backorders

There are multiple causes of backorders that can derail the timeline of a Service Level Agreement (SLA). Knowing what to look out for and how to be proactive in your management strategy will help you prevent these issues from piling up.

Here are some common causes of backorders that you should be aware of:

- Bad stocking strategy or bad execution of strategy
- Supply chain interruptions
- Inventory inaccuracies
- Lack of inventory visibility across your network
- Lack of collaboration within your service organization

Let's break each of these causes down so you can see what to keep an eye out for when it comes to your own operations.





Bad Stocking Strategy or Bad Execution of Strategy

- Failure to forecast accurately
- No strategy to set stock levels to meet Service Levels
- Excess inventory
- Unrealistic supply and demand
- Inventory stockouts



Supply Chain Interruptions

- Weather-related conditions
- COVID-19 pandemic
- Terminal and port congestion
- Cargo delays
- Supplier constraints
- Partner performance



Inventory Inaccuracies

- Incorrect part numbers
- Incorrect inventory information
- Stocking and shipping errors



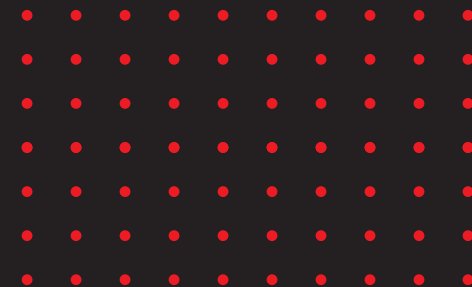
Lack of Inventory Visibility Across Your Network

- Disparate systems
- No real-time information
- Lack of integration



Lack of Collaboration Within Your Service Organization

- Siloed internal teams
- Ineffective communication
- Competing objectives



Each issue leads to the same consequences; unnecessary cost, use of resources, time, and impact on your customer relationship. By understanding the causes and knowing what to look for, you can actively work to reduce these issues from impacting your bottom-line costs.



The Importance of Properly Managing Backorders

Backorders have a significant impact on your business and customer relationships. When it comes to your service, your reputation is on the line. Not having the right part in stock when you need it can be a huge issue for service organizations. By having information on why there is a backorder, you can proactively work to make the best decision for your customers.

The other crucial key is having the right tools to:

- Effectively plan part movement
- Provide visibility within your Service Supply Chain
- Give control and assist in managing your networks
- Allow your team to work collaboratively
- Provide recommendations and other actionable solutions for solving your biggest problems.

This is where Baxter Planning comes in. It's important to do everything you can, to not diminish the time frame on a service contract. The right tools will guide you in making the best decisions for your organization based on the data provided.

Backorder Resolution and Prevention Best Practices

If you're dealing with a disorganized service organization, managing backorders may not seem like a top priority. But these two initiatives are not mutually exclusive. Better Service Parts Management leads to fewer backorders to resolve, leading to less money, time, and resources wasted.

Here are some backorder best practices to keep in mind as you strengthen your overall parts management strategy.

► *Lean on the Right Tools*

Technological advancements in Service Parts Management are helping organizations get parts from point A to B, easier, faster, and with fewer wasted resources. When it comes to choosing the right tool, rely on the ones with a proven track record of success in managing spare parts. These tools will be the ones that net the best results.

► *Implement a Proactive Resolution Strategy*

A reactive strategy to backorder management is the worst kind of strategy you can have. Take time to sit down and create a proactive plan for when backorders occur. This will ensure that they can get resolved as quickly as possible. Appoint a designated resource to continuously review and optimize this plan so it is always in tune with your processes.

► *Increase Service Supply Chain Visibility*

Real-time visibility into your operations is one of the most important aspects of an organized and well-functioning Service Supply Chain. Implement ways and leverage tools that give you a detailed overview of your inventory and insights into what needs to be fixed or improved.

Preventing and resolving backorders takes more than guesswork and last-minute decisions. It takes strategy, tools, and collaboration. Without the right technology at your disposal, you won't have the necessary insights to ensure SLAs are met and clients are satisfied. Make your life easier by using technology that was made to make your life easier!

Prevent and Solve Backorders with Baxter Planning

Backorders are an example of an out-of-line situation with the potential to impact the end customer and lead to a breach of service level commitments. Handling situations proactively leads to treating customer escalations even before they become one. When these situations arise, it's crucial to lean into the power of an integrated platform that automatically flags the backorder "escalation" case. Baxter Planning's predictive Service Supply Chain management platform gives you all the keys for effective parts planning and execution.

Predictive Planning Made Easy

[Service Parts Management](#) can be a complicated process, especially without visibility into your operations. With Baxter Planning's predictive platform, your team can plan the correct inventory at the right place at the right cost. This allows you to accurately forecast demand and optimize your stock levels. The planning module of the platform focuses on Service Parts Planning, allowing your organization to take a detailed look at its inventory so you get much closer to target stock levels.

The planning module aligns your planning operations by focusing on:

- Logistics network optimization
- Forecasting demand
- Inventory optimization
- Replenishment and redeployment
- Supply order automation
- Lifecycle management
- Excess management
- Planning analytics

Execute Flawlessly

The execution module of our predictive Service Supply Chain platform supports the execution of your service parts plan by understanding in real-time the status of all supplier and inventory movement orders. It identifies any breakage in execution in real time and proactively addresses issues so that you can prevent or reduce the duration and age of backorders.

Optimize your Service Supply Chain operations with a command center that provides:

- End-to-end order and transaction visibility
- Real-time tracking of transactions, activities, performance metrics, alerts, and updates.
- Predictive alerts on emerging supply chain events and if you are at risk of missing SLA commitments
- Insights on trends, patterns, and reliability of partners.

Optimize Status Visibility and Control

You'll finally have the ability to look at an entire network and provide information on how to solve backorders. With the customer escalation module, you can see where parts are and where they will be arriving so you can make a faster, data-driven decision.

Once a backorder case is created, the operations team responsible to support supply chain order execution and escalation responses has a platform that allows them to understand what led to the occurrence of this situation, how to remedy it, and — as data is accumulated over time to support trend detection — how to prevent it from occurring in the future. Baxter Planning uses AI to suggest the most likely root cause and resolution to an out-of-line situation. It supports the research process to validate those classifications and accelerate the turnaround on the closure.

Aggregating historical information on trends in escalations, their root causes, and final resolutions, unlocks the ability to capture such trends very early in their emergence. Baxter Planning alerts you of new trends likely to lead to a spike in backorders and gives you the insights to take corrective action before the negative impact is realized.

The Power of Partnership

The best way to manage backorders is to prevent them from happening in the first place. The first step to doing this is having a strong plan and strategy in place. The next is being able to execute that plan and find alternative part sources for resolving backorders. Finally, when all else fails, you should have a system in place for finding the part you need wherever it may be.

Without the right tools, solving backorders can take a lot of time and resources. The ability to resolve these issues, give ETAs, and understand what's happening before it truly impacts your Service Supply Chain operations allows your team to continue doing what they are supposed to versus having to do non-value-add work that is timely and costly.

Baxter Planning helps Service Supply Chains solve backorders so customers are satisfied, productivity remains high, and no business is lost. To learn more about how Baxter Planning optimizes Service Parts Management, reach out to our sales team!

[Contact Us](#)

