

MEASURING YOUR SUPPLY CHAIN SUCCESS

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Defining Your Key Performance Indicators

Key Performance Indicators (KPIs) are mile markers on the road to success. Often referred to as 'report cards', KPIs are important measures of your partners performance, whether they are 3PL's, trucking companies, or warehouse providers.

There are literally thousands of possible KPIs in any given supply chain. Here are a few to start you on your way.

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Transportation KPIs

Easily identified, these benchmarks should include industry standards or your historical data.



Tender Acceptance:

Measured in percentages, this metric captures the amount of freight the primary carrier accepts. If a trucking company is tendered 10 loads and accepts 8, their tender acceptance would be 80%.

Why relevant: Tender Acceptance tracks the capacity your primary carriers are providing as it relates to your contracted capacity.

Industry benchmark: Typically, in low to mid 80's, but varies according to demand and availability of alternate freight.



On-Time Delivery:

It's critical to track the percentage of freight delivered in a timely fashion by your carrier. If a trucking company delivers 10 loads and is on-time for nine, their on-time delivery percentage would be 90%.

Why relevant: On-time delivery shows how efficient the carrier is operating.

Industry benchmark: The industry average traditionally sits in the low to mid 90's.



Claims Ratio:

Damaged shipments are costly and require additional work in the form of grievances filed against your carrier. If one out of every 100 loads is damaged, the claims ratio would be 1%.

Why relevant: Damaged freight is costly in terms of hard & soft costs and may indicate carelessness on the part of your carrier.

Industry benchmark: The industry average is typically 1.5%.



Solutions Engineering:

This metric is not as quantifiable as some but is extremely relevant. Logistics companies are high-level problem solvers, and as such, they should suggest better, more efficient solutions where needed.

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Warehouse KPIs

Don't let scope creep impact your inventory costs, keep your KPIs current for each location.

SKU Optimization:

This metric measures the profitability of your specific SKU's. This is an inventory tracking technique that allows you to determine which product to continue producing.

SKU Optimization or SKU Rationalization determines if the product mix is valuable to your customer or if fewer SKUs can produce as much profitability.

Space Utilization:

Space utilization measures the percentage of space occupied by inventory compared to total space available.

Why relevant: tracks the efficiency of space required for your inventory.

Industry benchmark: Most warehouses cap utilization at about 90%. Anything higher may impede their ability to handle spikes in your inventory.

Picking Accuracy:

This metric captures the percentage of orders picked correctly. If they pick 100 loads and 3 of them are incorrectly picked, the accuracy is a substandard 97%.

Why relevant: No other KPI speaks to the training and quality of the warehouse team.

Industry benchmark: Ranges from 98% to 99.9% depending on the process (non-bar coded is lower than bar-coded).

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Customer Service KPIs

More qualifiable than quantifiable, Customer Service KPIs are really about your perception of your provider's leadership, management, and operations to deliver the level of customer services required so you can focus on your core business.

- ▶ **Average Handle Time:** Captures how quickly your issue is resolved. If your provider responds to your problem within 1 hour and resolves it 3 hours later, your handle time is 4 hours. Your supply chain will always face issues, but how your provider handles them quickly and efficiently is crucial.
- ▶ **Response Time:** Your provider partnership requires a high level of engagement across all departments. Quick acknowledgment is expected, even if final resolution requires more time. Think minutes, not hours.
- ▶ **Adaptability:** Tough to quantify, adaptability speaks to the flexibility and nimbleness of your provider. How quickly can your provider execute "Plan B"? In an ever-changing supply chain, this is a high-value capability that should be discussed with your provider on an ongoing basis.

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What makes **Wavepoint 3PL** a better solution?

We'll help you develop a metrics-based analysis of current supply chain operations to evaluate performance as it relates to bottom-line efficiency; its support of corporate objectives, and its KPIs measured against industry best practices. Our optimization and modeling tools support supply chain evaluations, facility network appraisals, transportation assessments, and warehousing and inventory analysis.

Wavepoint 3PL is your flexible logistic services provider for streamlined solutions from LTL and truckload services through an asset-based fleet; warehouse and inventory management in food grade facilities; and technology-enabled omnichannel fulfillment services, among other value-added offerings.

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