

# INNOVATE

## E-COMMERCE INC.

There are many different metrics customers used to measure their suppliers. Here are a few examples of metrics used. Be sure you understand how your customers measure your performance and how they assess fees.

### Delivery Performance

Two measurements used for delivery performance are monthly on-time delivery and a rolling three-month on-time delivery.

Calculations that are sometimes used:

1. Monthly Deliveries –  $\frac{\text{Monthly Late Deliveries}}{\text{Total Monthly Deliveries}}$
2. Rolling Quarter Deliveries –  $\frac{\text{Rolling Quarter Late Deliveries}}{\text{Total Rolling Quarter Deliveries}}$

### Inventory Turnover Improvement

Within the supply chain, customers are always trying to reduce inventory carrying costs. Therefore, improving inventory turnover is an important metrics to measure their suppliers' performance. Most customers will evaluate all their suppliers and their best supplier becomes the baseline for others to strive to obtain in order to compete for the business. If a supplier does not strive to make improvements, they may be completely eliminated. When customers evaluate their suppliers' inventory turnover, it is usually done over a two to three year timeframe. This will give them a baseline to measure the expected ongoing improvements. Once a baseline is established, one way a customer may determine your scorecard performance is by awarding points. Here is an example:

50% improvement = 25 points  
26% - 49% = 15 points  
15% - 25% = 10 points  
10% - 14% = 5 points  
< 10% = 0 points

### Accurate Shipments

Accurate shipments may include some or all of the following measurements.

- Items orders versus items received – This would measure if the actual number of items ordered were the number of items received. Where any of the items damaged or another item was substituted, or some of the items on backorder.
- On-time delivery – This may be a separate measurement or included in the accuracy of the shipment. This measurement may be based on the information received on the Advance Ship Notice (ASN) sent to the customer. If the delivery of the shipment is earlier or later than the date of delivery on the ASN, your scorecard could be negatively impacted.

These are some examples of metrics used to determine your scorecard and the fees that can be assessed against your company. Take time to review your scorecard and look at ways you can improve your processes. Sometimes the best improvement can be obtaining more information about your products throughout your supply chain. The more you know, the more you can improve!

