



KPIs, Uncovered:

Supply chain KPIs are crucial. We've made it simple to CARE.

C

Cost Of Goods Sold

Are you making or losing money?

Your organization's COGS is a helpful indicator of profit margins, answering the question, "Are we making money?"

When COGS is higher than average, it can be an early warning sign of issues in other areas of your network that must be addressed. And if that's not enough to explain why we kept it on the list, remember that having firm knowledge about your COGS can help improve inventory management while maintaining a pulse on the health of your business.

Accurate Forecasting and Value-add Analysis

A

Are you above the 90%? as the main subhead then have all the rest of the info.

It is good to use different forecasting models to find which one(s) best fit your demand and then use that data to steer your decisions. Forecast Value Add (FVA) Analysis, in turn, must be conducted regularly to determine how well a forecasting process works. Without knowing where the kinks are, accuracy suffers – and so does everything else.

R

Replenishment Optimization

Consider a new fad? Buy more than you need now?

A significant aspect of running a business that keeps customers returning is nailing the art of replenishment. For each purchase decision, the 'when, where, and how much' of replenishment will follow next.

Understanding how to get an optimal suggested order quantity (SOQ) every time will help you pinpoint what to buy, when, and how much is worth keeping on the shelf. Overstock, inventory turns, and days of supply (DOS) are three replenishment optimization methods will help you succeed.

E

Explicit Service Levels

Service levels are arguably one of the most important KPIs, but they're the least understood. Depending on your goals, service levels play one of two different roles:

- 1. They measure how well you're performing.**
- 2. They become crucial data in your supply chain planning decisions.**

But here's the kicker: the service level metric you'd use for the first is not always the metric that should be used for the second! For this reason, service levels must be defined precisely – explicitly – across your entire organization. If not, the effects on your supply chain could be massive, and you might be missing them altogether.

There are dozens of KPIs, but without knowing how to define and utilize them properly, you're putting your organization in harm's way. The full benefits of performance metrics can only be uncovered when you consider them from a new perspective – and focus on what needs **C.A.R.E.**

For more on success metrics, check out our resource hub or our featured eBook: **7 Signals for Supply Chain Planning Success.**