

Business Leaders' Cheat Sheet to the Top Distribution KPIs

Who is this cheat sheet for?

No matter your industry, if your company deals with moving and managing goods throughout the supply chain, accurate visibility and control over distribution processes are crucial for smooth operations and customer satisfaction.

Steps to establishing your KPIs:

1. Understand business goals
2. Identify key distribution processes
3. Determine what factors influence these processes
4. Decide what metrics best measure these influences
5. Benchmark & set a target for each KPI
6. Ensure you have the means to measure your KPIs
7. Regularly review and revise

Avoid common KPI pitfalls:

Always look at metrics in context – How do industry norms, business objectives, operational constraints, and market dynamics affect each KPI? Understand the limits of each KPI – Recognize scope, accuracy, and reliability limitations to help set realistic targets. Educate your stakeholders on what each KPI *actually means*.

Tools to track distribution KPIs:

- **Excel Spreadsheets**
Pros: Quick analysis of diverse information
Cons: Manual data entry, limited collaboration, version control issues
- **Warehouse Management System (WMS)**
Pros: Significant warehouse efficiency gains
Cons: Only as good as connectivity to back-office systems
- **Customer Relationship Management (CRM) System**
Pros: Deep insights into order history and sales performance
Cons: Designed to manage customer interactions, doesn't provide rich distribution metrics
- **Enterprise Resource Planning (ERP) System**
Pros: Integrates core business processes, brings together capabilities of finance, WMS, and CRM systems
Cons: Expensive and inflexible, painful implementation and upgrade processes
- **Enterprise Applications Platform (EAP)**
Pros: Holistic view of operations, real-time insights, cross-functional collaboration, modular and composable solutions

Strategies to improve distribution KPI performance:

1. Regularly review and update KPIs
2. Use predictive analytics to anticipate future trends
3. Benchmark – Against industry standard, before and after comparison
4. Make KPIs easily available to all stakeholders with role-based dashboards
5. Embrace technology to automate where it makes sense



KPI examples across industries, business sizes, and stages:

Money-based

- Lost sales by reason
% of quotes that do not result in any business
- Cash conversion cycle
Time to convert inventory into cash
- Days sales outstanding
Time to collect payment after a sale
- Picking and packing cost
Expense for handling, labeling and packing an order
- Inventory carrying cost
Cost to hold and store inventory before it is shipped
- Quote overview
Count and value of current sales pipeline

Time-based

- Order cycle time
Time between the placing of one order and the next
- Receiving cycle time
Time to process and receive incoming materials
- Put away cycle time
Time to transfer goods from the receiving area to designated storage locations
- Vendor lead time
Time it takes a supplier to deliver goods or services
- Order lead time
Time from order placement to delivery
- On-time delivery
Percentage of orders delivered on or before the promised delivery date
- Inventory turnover
How often inventory is sold and replenished within a specific period

Measuring accuracy/efficiency

- Perfect order rate
Measures overall quality of order fulfillment
- Supplier rating
Performance of suppliers in terms of on-time delivery, product quality, and adherence to agreed-upon terms
- Stock out rate
How often demand cannot be met due to the absence of the required inventory
- Quote conversion rate
Percentage of quotes that result in actual sales or orders
- Order accuracy
Percentage of orders accurately picked, packed, and shipped without errors
- Picking accuracy
Percentage of orders that are picked and packed without error
- Labor and equipment utilization
Rate at which workforce and equipment are being used to fulfill orders
- Fill rate
Percentage of customer demand met immediately from available stock
- Inventory accuracy
How well does the book inventory match the actual counted inventory?