

Handy Guide to Balanced Scorecard of Warehouse KPIs

Perspective	Management Goal	Warehouse KPI	Measurement	Remarks
Financial	F1: Improve Return on Investment (ROI)	ROI <i>(earnings for every dollar of inventory)</i>	<i>Gross Margin/ Inventory Cost</i>	Shows return on profit on the capital invested on stocks
	F2: Reduce inventory carrying costs	Inventory Carrying Cost, %	<i>Overhead Cost/ Total Value of Inventory x 100</i>	Overhead costs include cost of expired or damaged goods.
	F3: Reduce Inventory Variance Cost	Shrinkage Or Shrinkage as % to Sales Value	<i>Value of Inventory on Records - Value of Physical Inventory</i> <i>Or Shrinkage/ Sales x 100</i>	A negative variance can indicate missing items or transaction errors
	F4: Reduce Delivery Cost	Delivery Cost, %	<i>Distribution Cost/ Sales Revenue x100</i>	A lower ratio is favorable
	F5: Reduce Cost of Returns	Cost of Returns, USD Or Returns Rate, %	<i>Cost of goods returned plus cost of handling return goods</i> <i>Or Units Returned/ Units Sold x 100</i>	This is often associated with Delivery Accuracy.
Customer	C1: Achieve on-time delivery	On-time Delivery, %	<i>On-time Delivery/ Total Delivery x 100</i>	Usually aimed at 100%.
	C2: Fulfill purchase orders (PO's)	Fulfilled POs, %	<i>Closed POs/ Total Pos x 100</i>	
	C3: Reduce delivery lead time to customer	Delivery Lead Time, hrs (days)	<i>Duration elapsed from the time order was placed.</i>	Differs from On-time delivery. This KPI measures responsiveness – speed to serve.
	C4: Improve Delivery Accuracy	Delivery Accuracy, %	<i># of orders delivered without errors/ Total orders delivered x 100</i>	This KPI balances Delivery Lead Time – fast service with quality.
Business Process	B1: Improve Inventory Turn-over	Inventory Turnover	<i>Cost of goods sold/ Cost of inventory</i>	Indicates how fast an inventory or SKU is sold and replaced

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Business Process	B2: Improve Delivery Process	Loading Time, hrs	<i>Loading Time Average</i>	
	B3: Improve Storage Process Efficiency	% SKU Hit	<i>Total SKU Hit/ Total SKU System x 100</i>	Higher % preferred. Gives overview of inventory demand so that you can put right stock at the right time.
	B4: Increase Productivity	Throughput rate, unit/hr	<i>Throughput/ Workhours</i>	Can include: -Order lines picked per man-hour -Orders prepared for shipment per man-hour -Put-aways per man-hour
	B5: Increase Warehouse Utilization	% utilization	<i>Space Occupied/ Total Space Available x 100</i>	Can include: -Utilization of shipping docks -Locations and cube occupied -Utilization of Equipment Dock
Personnel (Growth)	P1: Improve personnel skills	Attendance to trainings, %	<i>Actual # of persons attended/ Planned # of target persons to be trained x 100</i>	Indicates how many of targeted individuals actually attended training.
	P2: Reduce employee turn-over	Turn-over rate, %	<i>No of employees leaving/ Total employees X 100</i>	This is an important measure as it translates to how much knowledge is flowing out and compensated by additional training costs
	P3: Improve employee participation	Improvement suggestions, count per person	<i>Number of total suggestions/ Total # of employees</i>	Measures degree of commitment of employees to improving processes

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