# The KPIs driving the Supply Chain and Warehousing Industry forward

WAREHOUSING

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The supply chain and warehousing industry plays a critical role in keeping the global economy moving. To ensure operational excellence and to increase efficiencies, companies in this sector must measure their performance. This can be done using Key Performance Indicators (KPIs).

These metrics give invaluable insights into the supply chain and warehousing processes, making it essential for companies to understand them comprehensively. By monitoring the KPIs of supply chain and warehousing services, business leaders can identify areas of improvement and optimise their operations and reduce costs.

## What is KPI?

Key Performance Indicators (KPIs) are metrics used to measure and track the success of a specific business strategy, campaign or initiative in meeting its predetermined goals. KPIs can be defined as quantifiable measurements that reflect the performance of an organisation or its specific departments or objectives, over a defined period of time. These metrics provide data-driven insights into the effectiveness of various aspects of an organisation's operations, and help stakeholders make informed decisions to improve performance and achieve desired outcomes.

# Why KPIs matter

KPIs such as inventory turnover, lead time, on-time delivery, and perfect order rate are commonly used in the supply chain and warehousing industry to measure the effectiveness of inventory management, logistics, and customer satisfaction. They provide valuable insights into the company's performance and can be used to find areas for enhancement. However, it is crucial to note that these KPIs are not exhaustive and that different companies can have different KPIs depending on their specific operations and goals. One can use the appropriate data and analytical tools to track, analyse, and improve these metrics over time to optimise operations, reduce costs, and improve customer satisfaction.

# Varuna Group's Key Indicators for Warehousing and Supply Chain Operations

Several KPIs are commonly used in the supply chain and warehousing industry to gauge the effectiveness of inventory management, logistics, and customer satisfaction. Some specific KPIs used in the industry include:

## Inventory Turnover

Inventory turnover is the number of times inventory is sold and replaced in a given period. This metric measures the effectiveness of inventory management and the ability to meet customer demand. Companies with high inventory turnover can sell their products quickly and efficiently and respond swiftly to changes in customer demand. Inventory management is critical in this context, and companies monitor accuracy and variance on a day-to-day basis to keep track of their stock. For instance an average Inventory Turnover can be 20-30 days.

## Inventory Variance

Inventory Variance is the difference between cost of products sold and cost of products used. In other words, it can also be the difference between the actual inventory in stock and the inventory indicated by records. Usually, a little variance is expected (around 2%), but when the difference is too high, the manager must take a call and conduct a thorough inventory check. This can be done to either find the missing inventory or find a solution to prevent variance in the future. We register an 8% reduction in the effective logistical cost of products.

## Lead Time

This is the duration of time it takes for a company to fulfil an order, from when the order is placed to when it is delivered. Companies with low lead times can deliver products faster and increase customer satisfaction. The lead time of a logistics company from order to dispatch can be within 6 hours of the order. Varuna Group maintains a lead time achievement of 99%. Companies can reduce lead time by improving their forecasting, production processes, and logistics. This includes looking into the entire production process, identifying bottlenecks, and implementing solutions to speed up the process.

## On-Time Delivery

On-time delivery is the percentage of deliveries made on or before the promised delivery date. Companies with high on-time delivery rates can meet customer expectations and maintain their reputation for reliability. Companies can improve on-time delivery by implementing efficient transportation and logistics practices and ensuring accurate forecasting. This includes understanding the transportation infrastructure, traffic, and weather conditions to avoid delays. We provide a 95% on-time placement record and 50% savings on transit time that can help businesses optimise their operations, reduce costs and improve customer satisfaction.

# Perfect Order Rate

Also, commonly known as On Time In Full (OTIF), is a leading KPI in the logistics industry. It measures the extent to which shipments are delivered to their destination according to both the quantity and schedule specified on the order. We are proud to use this impactful KPI for our clients & are currently maintaining an OTIF of 99.58%. To improve the perfect order rate, companies must ensure accurate inventory management, implement efficient logistics processes, and invest in quality control measures. This includes implementing quality checks at different production stages and a robust packaging process to ensure that the products are delivered without damage.

# Conclusion

Building and managing cost-efficient supply chains is a full-time job. Through applying our warehouse management KPIs, keeping track of performance trends, gauging efficiency of operations, uncovering potential problems, managing risks & identifying areas for improvement becomes a smoother process.

This enables us to provide the best third party logistics and warehousing services to our clients and ultimately help them to achieve their business goals via use of advanced analytics tools and techniques to analyse data, which can provide valuable insights into their performance and help them continuously improve their services.