**Key Performance Indicators (KPIs)**

The **Gross Price** refers to the total price of a product or service before any deductions, such as taxes, discounts, or other costs, are subtracted.

A **Pre invoice Deductions** refers to a reduction or discount applied to the price of goods or services before the final invoice is issued.

**Net invoice sales** refers to the total amount of sales revenue that a company recognizes on an invoice after accounting for any deductions, such as discounts, allowances, returns, or any other reductions that might apply.

**Net invoice sales = Gross Price - Pre invoice Deductions**

**Post invoice Deductions** are reductions made to the amount due on an invoice after it has been issued. These deductions usually occur after the sale has been completed and the invoice has been sent, and they can be due to various volumne discounts, returns, product defects, shipping delays etc.

**Net sales** refers to the total revenue a company generates from selling goods or services after accounting for all deductions such as discounts, returns, allowances, and any other adjustments. It represents the actual sales the company made and is an important metric for understanding the business's true revenue.

**Net Sales = Net invoice Sales - Post invoice Deductions**

**Gross margin** represents the profitability of a company before accounting for operating expenses, taxes, and interest.

**Gross Margin = Net Sales - COGS**

**Net profit** is the amount of money a company retains after all expenses, taxes, and costs have been subtracted from total revenue. It reflects the overall profitability of the business

**Net Profit = Gross Margin - Promotions & other expenses**

**Net Profit %** provides a more insightful, scalable, and comparable measure of profitability.

**Net Profit % = (Net Profit / Net Sales​) × 100**

**Gross Margin %** provides a more meaningful and scalable measure of profitability than the absolute Gross Margin value, especially when making comparisons or assessing efficiency.

**Gross Margin % = (Gross Margin / Net Sales) ​× 100**

**Gross Margin per Unit** to understand how much profit is made per unit sold,

providing insights into pricing, cost efficiency, and overall profitability on a per-unit basis.

**Gross Margin per Unit = Gross Margin​/ Quantity Sold**

**Market Share %** is a key metric used to measure a company's **competitive position** in the market. It indicates the proportion of the total market that a company controls, providing insights into its relative size and dominance compared to competitors.

A higher market share often suggests stronger market presence, customer loyalty, and pricing power, while a lower market share may indicate the need for strategic improvements, such as marketing efforts, product innovation, or cost management to capture a larger portion of the market.

**Market Share % = (Company’s Total Sales/ Total Market Sales​) × 100**

**Year-over-Year (YOY) Percentage Change** helps Compare Performance, Track Growth, Identifying Trends and Eliminate Seasonal Effects

**YOY % = ( (Current Year Value−Previous Year Value​) / Previous Year Value) × 100**

**Revenue Contribution %:**

Assessing impact of Product or Segment, Identifying Key Revenue Drivers, Strategic Decision Making and Benchmarking

**Revenue Contribution % = (Revenue from a specific unit / Net Sales) × 100**

Where:

* **Revenue from a specific unit** is the sales revenue generated from a specific product or business unit.
* **Net Sales** is the total revenue from all products or business units after returns, discounts, and allowances.

**\*\*Supply Chain Management\*\***

After manufacturing hardware in the production units, it is stored in a warehouse. From there, the inventory is distributed to various customers. The company must consider inventory demand forecasts to ensure a continuous and reliable supply.

Two potential scenarios can arise:

1. Out of Stock: This situation can lead to customer loss and negatively impact business.

2. Excess Inventory: This results in additional costs for storage and maintenance

**Net Error:**

Net Error is the difference between the actual value and the forecasted value. It can be either positive or negative, depending on whether the forecast overestimated or underestimated the actual value.

**Net Error = Actual Value - Forecasted Value**

A positive net error means the forecast underestimated the actual value, while a negative net error indicates the forecast overestimated the actual value.

**Absolute Error**

Absolute Error measures the magnitude of the error between the actual value and the forecasted value, ignoring whether the forecast was an overestimate or underestimate. It gives the absolute difference between the two values.

**Absolute Error = |Actual Value − Forecasted Value|**

The absolute error tells you the total error size, without considering whether the forecast was higher or lower than the actual result. It is always a non-negative number.

**Forecast Accuracy %:**

Forecast Accuracy % shows how close the forecasted values are to the actual values, expressed as a percentage. It is a way to measure the quality of your forecasts.

**Forecast Accuracy % = (1 − Absolute Error/Actual Value) × 100**

A higher forecast accuracy percentage means that the forecasted values are close to the actual values, indicating better forecasting performance.

**Risk** is categorized as Excess Inventory if **Net Error** is positive, Out of Stock if **Net Error** is negative.

**Conclusion**

Net Error shows the direction and magnitude of the error.

Absolute Error measures the magnitude of error without considering direction.

Forecast Accuracy % tells you how well your forecasts matched the actual values, expressed as a percentage.

In supply chain management, forecast accuracy %, net error, and absolute error are essential for optimizing inventory levels, reducing costs, and improving demand planning to ensure smoother operations.