

KPI Definitions and Business Rules

1. Reporting Grain and Time Aggregation

- Primary grain: per Customer and per Market.
- Primary time level: Monthly reporting.
- Roll-ups: monthly results are aggregated to Quarterly and Yearly views using consistent summation rules.
- Aggregation rule: revenue/cost values are summed across months; margin percentages are calculated from aggregated totals (i.e., margin is not averaged across months unless explicitly stated).

2. Sales and Customer Performance KPIs

☐ [Customer Health Score](#)

Purpose: Prioritise customer accounts based on commercial performance and risk signals.

Definition: Weighted index calculated per Customer (and filterable by Market and time period).

Components and weights:

- Volume Trend (40%)
- Average Margin % (40%)
- Payment Reliability (20%)

Business rules:

- Score is calculated at the monthly level and can be viewed quarterly/yearly via aggregation.
- Each component is normalised to a common scale before weighting (e.g., 0–100), to ensure comparability.
- If any component is missing for a customer in a period, the score is flagged as “Incomplete” (or calculated using available components, if agreed).

☐ [Target vs Actual Variance %](#)

Purpose: Measure performance against target at Market and Customer levels.

Definition: Variance percentage between Actual and Target, calculated per Market-month and Customer-month, and viewable at quarter/year levels.

Business rules:

- **Status logic:** “Green” is achieved only when **Variance % \geq 0%**.
- If **Target = 0**, variance % is not calculated and is displayed as “N/A” to prevent division errors.

- Quarterly and yearly variance % is calculated from aggregated totals (Total Actual vs Total Target), not by averaging monthly variance values.

☐ [Market Performance and Benchmarking \(Market Share %\)](#)

Purpose: Compare internal performance against external market benchmarks where available.

Definition: Market Share % or benchmark comparison, shown per **Market** and time period (monthly/quarterly/yearly).

Business rules:

- If external benchmark data is unavailable for a period, the view is labelled clearly (e.g., “Internal Growth % only”).
- Benchmark source and reporting period must be consistent across markets to enable comparability.

3. Finance and P&L Definitions

Gross Profit (GP)

Definition: Profit after direct costs of goods sold.

Formula:

Gross Profit = Total Revenue – COGS

Business rules:

- Calculated per Market and per month; rolled up to quarter/year by summation of Revenue and COGS.

Operating Margin %

Definition: Operating profitability relative to revenue.

Formula:

Operating Margin % = (Operating Income / Revenue) × 100

Business rules:

- Calculated from aggregated totals at each view level (monthly/quarterly/yearly).
- If Revenue = 0 for a period, margin % is displayed as “N/A”.

Net Profit

Definition: Final profit after operating expenses, taxes, and interest.

Business rules:

- Net profit is reported only when all required cost lines are available and consistently mapped.
- If taxes/interest are not available, the reporting pack shows Gross Profit and Operating Margin only, and labels Net Profit as “Not in scope / Not available”.

Inter-company Transfers Exclusion

Business rule: Finance reports must exclude inter-company transfers to avoid inflated revenue and misleading profitability.

Implementation rule:

- Inter-company transactions are excluded using a transaction flag, account code list, or defined mapping rule agreed with Finance.
- Exclusion is applied consistently across all time views (monthly/quarterly/yearly).

4. Discount Scenario Planning Rules and Governance

Purpose

The Scenario Planning Tool supports faster discount decisions while enforcing pricing and margin governance. It evaluates discount impact per Customer and Market, with monthly results viewable at quarterly and yearly roll-ups.

Core Rules

Minimum Margin Rule

- No deal can proceed if Worst Case Gross Margin % < 5%.

Price Floor Rule

- “Average Price per Unit” cannot be manually set below COGS + 2% (minimum safety buffer).

Approval Tiers (Discount Governance)

Approval Tier	Discount Range	Rule
Tier 1	≤ 10%	Auto-approved if GM% target is met

Tier 2	11%–20%	Requires Business Manager digital sign-off
Tier 3	> 20%	Requires Senior approval (e.g., Commercial Director/CFO) for override

Business rule:

- Approval routing is triggered automatically based on the discount band and margin outcome.
- Any override requires a recorded justification (reason code) to support auditability.