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KPI Metrics Assessment

APPAREL, FOOTWEAR & ACCESSORIES

NetSuite KPI Assessment – AFA Industry Benchmarks

Current Potential

FUNCTIONAL AREA	KPI	BOTTOM TIER	MEDIAN	TOP TIER
Direct to Consumer Commerce	eCommerce Revenue Growth	< 12%	12%	16%
B2B Commerce	B2B eCommerce Revenue Growth	< 12%	12%	16%
Order Management	Days Sales Outstanding (DSO)	70.3 days	40.3 days	26 days
Demand Planning & Merchandising	Revenue Growth (incremental)	-26.6%	-14.6%	0.7%
Sourcing & Supply Chain Management	Inventory Turn	1.6 turns	2.5 turns	4.7 turns
Manufacturing	Cost of Goods Sold (COGS)	78.1%	63.8%	46.6%
CRM & Marketing Automation	Revenue Growth (incremental)	-26.6%	-14.6%	0.7%
Inventory & Warehouse Management	Order Fill Rate	< 96%	96%	98.5%
Financial Management & Reporting	Days to Close the Books	> 10 days	7 days	< 5 days
Technology & BI Platform	Replace Current Systems	customer specific	customer specific	customer specific
Budgeting & Forecasting	Days to Complete the Annual Budget Budget	> 35 days	35 days	27.6 days
Human Resources	HR Team Efficiency	customer specific	customer specific	customer specific
Customer Service	Customer Service Team Efficiency	customer specific	customer specific	customer specific

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The Metrics

KPI Definitions

Metrics

Detailed KPI Definitions and Calculations

KPI	Description	Calculation
eCommerce Revenue Growth	How fast the company's eCommerce revenue is growing, measured by Total eCommerce Revenue. A measure of expansion – especially compared to other companies in the same industry. Faster than others is better. eCommerce revenue growth (for example Quarterly) is an increase in a company's online sales when compared to a previous quarter's revenue performance. The current quarter's online sales figure can be compared on a year-over-year basis or sequentially. This helps to give analysts, or investors an idea of how much a company's online sales are increasing over time.	This year's eCommerce Revenue divided by Last Year's eCommerce Revenue for the same period of time. For example, first six months of 2016 divided by first six months of 2015) e.g.: $50M Revenue this year divided by $40M Revenue last year = 125%. Revenue growth is 25%.
Days Sales Outstanding (DSO)	Days Sales Outstanding (DSO) or Days Receivables is a measure of the average number of days that it takes a company to collect payment after a sale has been made. DSO is often determined on a monthly, quarterly or annual basis, and can be calculated by dividing the amount of accounts receivable during a given period by the total value of credit sales during the same period, and multiplying the result by the number of days in the period measured.	Accounts Receivable Amount divided by Daily Sales. (Daily Sales = Annual Revenue divided by 365) e.g.: $9M Accts Rec divided by $137k Daily Sales ($50M Revenue/365) = 65 Days

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Revenue Growth	How fast the company is growing, measured by Total Revenue. A measure of expansion – especially compared to other companies in the same industry. Faster than others is better. Revenue growth (for example Quarterly) is an increase in a company's sales when compared to a previous quarter's revenue performance. The current quarter's sales figure can be compared on a year-over-year basis or sequentially. This helps to give analysts, or investors an idea of how much a company's sales are increasing over time.	This year's Revenue divided by Last Year's Revenue for the same period of time. For example, first six months of 2016 divided by first six months of 2015) e.g.: $105M Revenue this year divided by $100M Revenue last year = 105%. Revenue growth is 5%.
Inventory Turns	Number of times a company's investment in inventory is recouped during an accounting period. Normally a high number indicates a greater sales efficiency and a lower risk of loss through un-saleable stock. However, an inventory turnover that is out of proportion to industry norms may suggest losses due to shortages, and poor customer-service. Inventory turnover is a ratio showing how many times a company has sold and replaced inventory during a period. The company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand. It is calculated as sales divided by average inventory.	Inventory turnover is calculated using the cost of goods sold, which is the total cost of inventory. COGS divided by average inventory instead of sales provides greater accuracy in the inventory turnover calculation because sales include a markup over cost. Dividing sales by average inventory inflates inventory turnover. e.g.: Reported annual sales of $476.3 million, year-end inventory of $44.9 million, and annual cost of goods sold (or cost of sales) of $358.1 million. COGS $358.1 million ÷ Inventory $44.9 million = 8.0 inventory turnovers for the year

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Cost of Goods Sold (COGS)	Cost of goods sold (COGS) refers to the direct costs of producing the goods sold by a company. This amount includes the cost of the materials and labor directly used to create the good. It excludes indirect expenses, such as distribution costs and sales force costs. COGS only applies to those costs directly related to producing goods intended for sale.	COGS = Beginning Inventory plus Purchases During the Period minus Ending Inventory e.g. Beginning inventory recorded on the fiscal year ended 2015 = $2.72 billion; Ending inventory recorded on the fiscal year ended 2016 = $2.85 billion; Purchases during 2016 of $8.2 billion $2.72 + 8.2 - 2.85 = $8.07 billion
Order Fill Rate	Fill rate is the percentage of customer orders that a company can ship immediately from the stock without placing backorders or missing a sale. Backorders are orders that are not available in stock at the moment, but the customers place them to receive later. The Order Fill Rate metric is a measurement that tells businesses how effectively they are meeting customer demand.	(Total Number of Customer Orders Shipped / Number of Customer Orders Filled) * 100 For example, your customers placed 1800 orders in a month and you shipped only 1753 of the total. Your order fill rate = 97%.
Days to Close the Books	How many days it takes for the Finance team to produce a Profit and Loss statement, Balance Sheet and other analyses so that managers can understand how the business performed for that period (typically monthly). Faster also means the Finance team is more efficient.	Number of days that it takes the finance team to close the books. Range can be 2-3 weeks to a few days. In NetSuite, managers can see Financial Statements at any time (i.e. "Continuous Close")
Replace Current Systems	Account for the cost of the systems (applications, hardware, maintenance) being replaced by NetSuite.	Add together all annual costs for software (licenses), hardware (licenses, operation and/or maintenance) and personnel costs (percent of average annual salary) associated with maintaining system(s).

Metrics

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Days to Complete the Annual Budget	How many days it takes for the Finance team to do their annual budgeting. The cycle time to complete an annual budget includes the number of calendar days — including weekends — from establishing budget objectives to delivering a ready-to-use budget. Faster also means the Finance / FP&A team is more efficient and data more available for budget building.	Number of days that it takes the Finance / Accounting and FP&A team to put together annual budget. Range can be 3-5 weeks to 1 week. With a FP&A tool, the team can speed up the annual budgeting and better yet see it in real-time throughout the year.
HR Team Efficiency	The percentage of time spent on manual HR related activities. The goal is to reduce this manual activity time by increasing productivity with NetSuite capabilities. Productivity gains are measured in dollars by determining the cost of time spent on manual activities. Reducing the amount of time an employee spends on manual tasks allows employees to work on more strategic activities.	The percent of time currently spent on manual HR related activities minus the anticipated percent of time spent on manual HR related activities after acquiring NetSuite capabilities multiplied by number of HR employees and multiplied by Annual Fully Burdened Labor Rate. e.g.: 4 HR FTEs paid $60K/year spend 35% of their time performing manual HR related activities. With NetSuite, their anticipated percent of time performing manual HR related activities is reduced to 15%, resulting in a 20% reduction in time spent on manual HR related activities. 4FTEs times times $60K times 20% = $48K

Metrics

Detailed KPI Definitions and Calculations

KPI	Description	Calculation
Customer Service Team Efficiency	The percentage of time spent on manual customer service related activities. The goal is to reduce this manual activity time by increasing productivity with NetSuite capabilities. Productivity gains are measured in dollars by determining the cost of time spent on manual activities. Reducing the amount of time an employee spends on manual tasks allows employees to work on more strategic activities.	The percent of time currently spent on manual customer service related activities minus the anticipated percent of time spent on manual customer service related activities after acquiring NetSuite capabilities multiplied by number of customer service employees and multiplied by Annual Fully Burdened Labor Rate. e.g.: 4 customer service FTEs paid $60K/year spend 35% of their time performing manual customer service related activities. With NetSuite, their anticipated percent of time performing manual customer service related activities is reduced to 15%, resulting in a 20% reduction in time spent on manual customer service related activities. 4FTEs times times $60K times 20% = $48K

Thank You