



Grant Thornton













KPI Metrics Assessment

MANUFACTURING



KPI Assessment – MANUFACTURING Industry Benchmarks

 Current  Potential

FUNCTIONAL AREA		KPI	BOTTOM TIER	MEDIAN	TOP TIER
	Commerce	eCommerce Revenue Growth	< 12%	12%	16.3%
	CRM & Marketing Automation	Revenue Growth	-13.4%	-2.1%	12.2%
	Sales Force Automation	Sales Team Efficiency	customer specific	customer specific	customer specific
	Order Management	Days Sales Outstanding (DSO)	102 days	68 days	44 days
	Sourcing & Supply Chain Management	Inventory Turns	2.2 turns	3.6 turns	5.6 turns
	Manufacturing	Order Fill Rate	< 97%	97%	98.5%
	Customer Service	Customer Service Responsiveness	> 8 hours	6 hours	real-time
	Financial Management & Reporting	Days to Close the Books	> 10 days	7 days	< 3 days
	Technology & BI Platform	IT Team Efficiency	customer specific	customer specific	customer specific
	Inventory & Warehouse Management	Distribution Cost as a % of Revenue Revenue	> 4.8%	4.8%	4.3%
	Human Resources	HR Team Efficiency	customer specific	customer specific	customer specific
	Budgeting & Forecasting	Days to Complete the Annual Budget Budget	> 35 days	35 days	27 days

The Metrics

KPI Definitions





Metrics

Detailed KPI Definitions and Calculations

KPI	Description	Calculation
eCommerce Revenue Growth	<p>How fast the company's eCommerce revenue is growing, measured by Total measured by Total eCommerce Revenue. A measure of expansion – expansion – especially compared to other companies in the same industry. same industry. Faster than others is better.</p> <p>eCommerce revenue growth (for example Quarterly) is an increase in a increase in a company's online sales when compared to a previous previous quarter's revenue performance.</p> <p>The current quarter's online sales figure can be compared on a year-over-year-over-year basis or sequentially. This helps to give analysts, or investors or investors an idea of how much a company's online sales are increasing increasing over time.</p>	<p>This year's eCommerce Revenue divided by Last Year's eCommerce Revenue eCommerce Revenue for the same period of time.</p> <p>For example, first six months of 2016 divided by first six months of 2015) months of 2015)</p> <p>e.g.: \$50M Revenue this year divided by \$40M Revenue last year = 125%. year = 125%. Revenue growth is 25%.</p>
Revenue Growth	<p>How fast the company is growing, measured by Total Revenue. A measure of A measure of expansion – especially compared to other companies in the companies in the same industry. Faster than others is better.</p> <p>Revenue growth (for example Quarterly) is an increase in a company's sales company's sales when compared to a previous quarter's revenue performance.</p> <p>The current quarter's sales figure can be compared on a year-over-year basis over-year basis or sequentially. This helps to give analysts, or investors an investors an idea of how much a company's sales are increasing over time. over time.</p>	<p>This year's Revenue divided by Last Year's Revenue for the same period of same period of time.</p> <p>For example, first six months of 2016 divided by first six months of 2015) months of 2015)</p> <p>e.g.: \$105M Revenue this year divided by \$100M Revenue last year = 105%. year = 105%. Revenue growth is 5%.</p>



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Sales Team Efficiency	<p>The percentage of time spent on manual sales related activities. The goal is to reduce this manual activity time by increasing productivity with NetSuite capabilities.</p> <p>Productivity gains are measured in dollars by determining the cost of time cost of time spent on manual activities.</p> <p>Reducing the amount of time an employee spends on manual tasks allows tasks allows employees to work on more strategic activities.</p>	<p>The percent of time currently spent on manual sales related activities minus activities minus the anticipated percent of time spent on manual sales manual sales related activities after acquiring NetSuite capabilities multiplied capabilities multiplied by number of sales employees and multiplied by multiplied by Annual Fully Burdened Labor Rate.</p> <p>e.g.: 4 Sales FTEs paid \$60K/year spend 35% of their time performing performing manual sales related activities. With NetSuite, their anticipated anticipated percent of time performing manual sales related activities is activities is reduced to 15%, resulting in a 20% reduction in time spent on time spent on manual sales related activities.</p> <p>$4\text{FTEs} \times \\$60\text{K} \times 20\% = \\48K</p>
Days Sales Outstanding (DSO)	<p>Days Sales Outstanding (DSO) or Days Receivables is a measure of the of the average number of days that it takes a company to collect payment collect payment after a sale has been made. DSO is often determined on a determined on a monthly, quarterly or annual basis, and can be calculated by calculated by dividing the amount of accounts receivable during a given during a given period by the total value of credit sales during the same the same period, and multiplying the result by the number of days in the days in the period measured.</p>	<p>Accounts Receivable Amount divided by Daily Sales. (Daily Sales = Annual Revenue divided by 365)</p> <p>e.g.: \$9M Accts Rec divided by \$137k Daily Sales ($\\$50\text{M Revenue}/365$) = 65 Revenue/365) = 65 Days</p>



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Inventory Turns	<p>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 loss through un-saleable stock. However, an inventory turnover that is out of that is out of proportion to industry norms may suggest losses due to due to shortages, and poor customer-service.</p> <p>Inventory turnover is a ratio showing how many times a company has sold company has sold and replaced inventory during a period. The company can company can then divide the days in the period by the inventory turnover inventory turnover formula to calculate the days it takes to sell the inventory the inventory on hand. It is calculated as sales divided by average inventory. average inventory.</p>	<p>Inventory turnover is calculated using the cost of goods sold, which is the which is the total cost of inventory. COGS divided by average inventory inventory instead of sales provides greater accuracy in the inventory turnover inventory turnover calculation because sales include a markup over cost. over cost. Dividing sales by average inventory inflates inventory turnover. turnover.</p> <p>e.g.: Reported annual sales of \$476.3 million, year-end inventory of \$44.9 inventory of \$44.9 million, and annual cost of goods sold (or cost of sales) of cost of sales) of \$358.1 million.</p> <p>$\text{COGS } \\$358.1 \text{ million} \div \text{Inventory } \\$44.9 \text{ million} = 8.0 \text{ inventory turnovers for turnovers for the year}$</p>
Order Fill Rate	<p>Fill rate is the percentage of customer orders that a company can ship can ship immediately from the stock without placing backorders or missing a backorders or missing a sale. Backorders are orders that are not available in not available in stock at the moment, but the customers place them to them to receive later.</p> <p>The Order Fill Rate metric is a measurement that tells businesses how businesses how effectively they are meeting customer demand.</p>	<p>$(\text{Total Number of Customer Orders Shipped} / \text{Number of Customer Orders Customer Orders Filled}) * 100$</p> <p>For example, your customers placed 1800 orders in a month and you shipped and you shipped only 1753 of the total. Your order fill rate = 97%. 97%.</p>



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Customer Service Responsiveness	<p>The time taken to respond to a customer service inquiry; usually measured in usually measured in hours.</p> <p>Reduction in response time by customer service teams drives efficiency – efficiency – freeing labor time for more valuable tasks or reducing the need reducing the need to hire additional staff.</p>	<p>Divide the improvement in desired response time by the current average current average response time; then multiply that by the fully burdened burdened annual labor rate and current FTE count to get your recurring recurring benefit</p> <p>e.g.: Current Avg Response time = 10 days</p> <p>Desired Response Rime = 4 days</p> <p>Improvement of 6 days FTE = 7</p> <p>Fully burdened annual labor rate = \$75k</p> <p>$(6/10) \times \\$75,000 \times 7 \text{ FTE} = \\315k</p>
Days to Close the Books	<p>How many days it takes for the Finance team to produce a Profit and Loss Profit and Loss statement, Balance Sheet and other analyses so that that managers can understand how the business performed for that period that period (typically monthly). Faster also means the Finance team is more team is more efficient.</p>	<p>Number of days that it takes the finance team to close the books. Range can books. Range can be 2-3 weeks to a few days.</p> <p>In NetSuite, managers can see Financial Statements at any time (i.e. (i.e. "Continuous Close")</p>



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IT Team Efficiency	<p>The percentage of time spent on manual IT related activities. The goal is to reduce this manual activity time by increasing productivity with NetSuite capabilities.</p> <p>Productivity gains are measured in dollars by determining the cost of time cost of time spent on manual activities.</p> <p>Reducing the amount of time an employee spends on manual tasks allows tasks allows employees to work on more strategic activities.</p>	<p>The percent of time currently spent on manual IT related activities minus the activities minus the anticipated percent of time spent on manual IT related manual IT related activities after acquiring NetSuite capabilities multiplied by multiplied by number of IT employees and multiplied by Annual Fully Annual Fully Burdened Labor Rate.</p> <p>e.g.: 4 IT FTEs paid \$60K/year spend 35% of their time performing manual IT performing manual IT related activities. With NetSuite, their anticipated anticipated percent of time performing manual IT related activities is activities is reduced to 15%, resulting in a 20% reduction in time spent on time spent on manual IT related activities.</p> <p>4FTEs times times \$60K times 20% = \$48K</p>
Distribution Cost as a % of Revenue	<p>Dollar amount spent on Distribution Costs vs. total revenue. The cost of The cost of shipping goods from manufacture to the end sales location. location.</p> <p>Typically includes shipping cost as well as warehousing and carrying costs to carrying costs to hold inventory until it is shipped to its final destination. destination.</p>	<p>Distribution costs divided by Company Revenue.</p> <p>e.g.: Company spends \$100k on Distribution per year and does \$10M in \$10M in revenue. Divide \$100k by \$10M and result is 1%.</p>



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

Thank You