

Measuring logistics costs and performance



Estd. 1990

Main Title Goes Here....

- Logistics and the bottom line
- Logistics and shareholder value
- Logistics cost analysis
- The concept of total cost analysis
- Principles of logistics costing
- Customer profitability analysis
- Direct product profitability
- Cost drivers and activity-based costing

Logistics and the bottom line

$$ROI = \frac{\text{Profit}}{\text{Capital employed}}$$

Figure 4.1 The impact of margin and asset turn on ROI

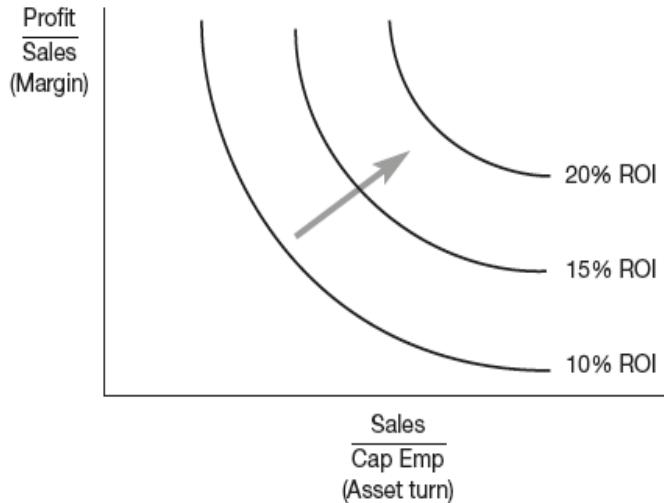
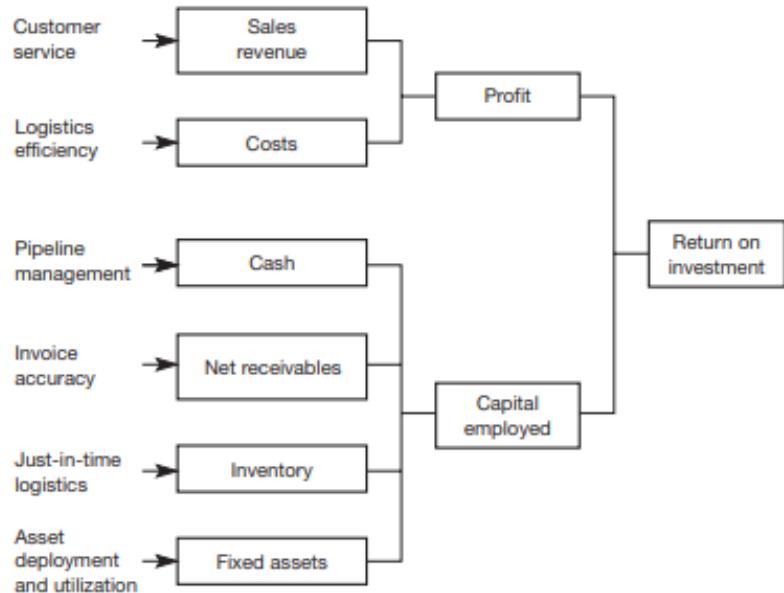
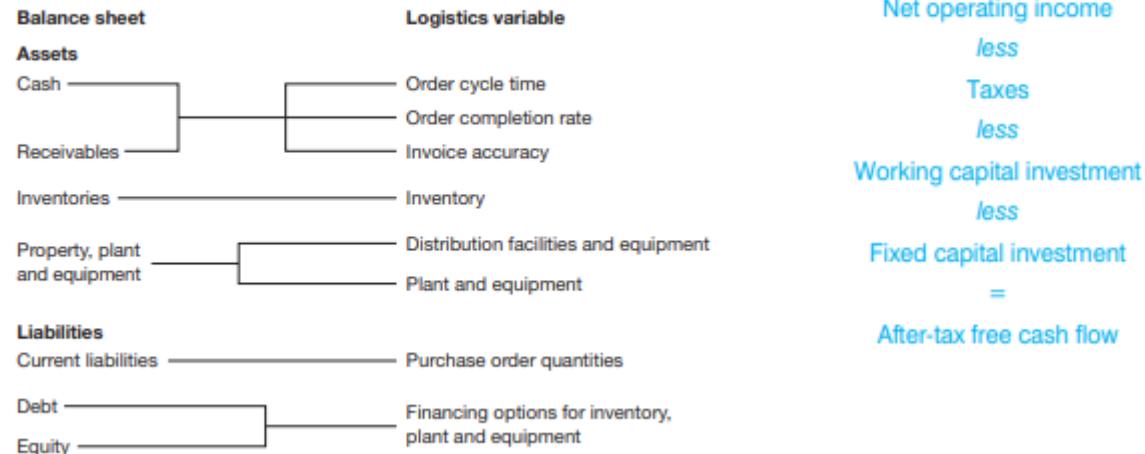


Figure 3.2 Logistics impact on ROI



Logistics and shareholder value

Figure 3.3 Logistics management and the balance sheet



- These **cash flows** may themselves be defined as:

*Net operating income less Taxes less Working capital investment less
Fixed capital investment = After-tax free cash flow*

Economic value added (EVA)

= Profit after tax – True cost of capital employed

- A simple definition of MVA is:

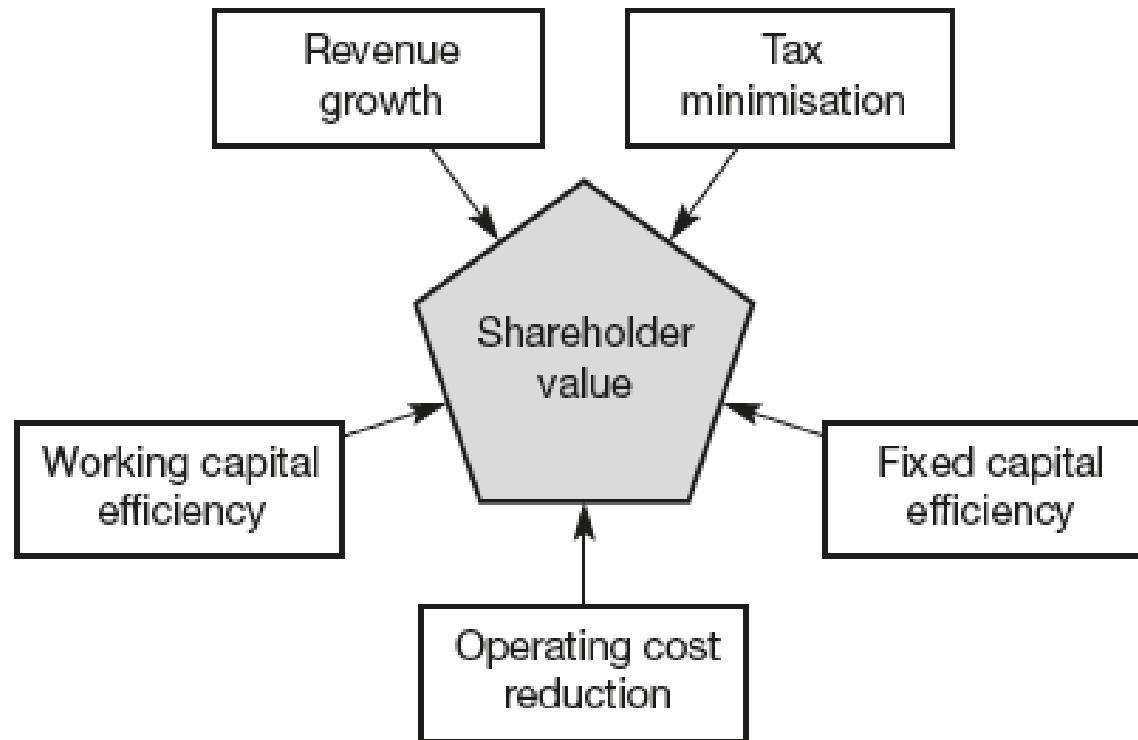
Stock price × Issued shares less Book value of total capital invested =
Market value added

- And, as we have already noted:

MVA = Net present value of expected future EVA

The drivers of shareholder value

Figure 4.4 The drivers of shareholder value



Cash-to-cash cycle time = Days of inventory¹ + Days of accounts receivable² – Days of accounts payable³

$$^1\text{Days of inventory} = \frac{\text{Current inventory (value)}}{\text{Daily cost of goods sold}}$$

$$^2\text{Days of accounts receivable} = \frac{\text{Current accounts receivable}}{\text{Daily sales (value)}}$$

$$^3\text{Days of accounts payable} = \frac{\text{Current accounts payable}}{\text{Daily cost of goods sold}}$$

The role of cash flow in creating shareholder value