

# Core Benchmarks – Supply Chain Cost Measures



*The Supply Chain  
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*Track D-1*

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# Session Scope

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## This Session Will Focus On:

- Logistics cost
- DC cost
- Transportation cost
- Inventory turns
- Inventory carrying cost
- Days purchases outstanding
- Days receivables outstanding
- Factors driving supply chain costs

# Logistics Cost



## As a Percentage of Revenue

Average Logistics Cost as a Percentage of Revenue		
Industry	Manufacturing	Retail
Apparel, Fabric and Accessories	6.0%	5.5%
Automotive, Truck and Vehicles	8.1%	7.2%
Beauty, Health and Wellness	11.3%	8.2%
Department Store and Discount	-	5.7%
Electronics and Electricals	5.1%	4.9%
Food and Beverage	8.8%	7.7%
Hardware and Home Improvement	7.0%	6.6%
Hobby, Toys, Arts, Crafts and Sporting Goods	7.1%	3.6%
Home Products/Furniture/Appliances	7.0%	6.8%
Specialty	-	9.8%
<b>Grand Total</b>	<b>7.3%</b>	<b>6.4%</b>

- **Definition: Transportation, DC, LSP and Overhead Costs**
- Top quartile (best 25%) results average 3.4% across all Consortium companies.

# DC Cost



## As a Percentage of Revenue

Average DC Cost as a Percentage of Revenue		
Industry	Manufacturing	Retail
Apparel, Fabric and Accessories	3.9%	1.5%
Automotive, Truck and Vehicles	1.6%	2.4%
Beauty, Health and Wellness	5.4%	5.3%
Department Store and Discount	-	1.9%
Electronics and Electricals	1.6%	1.7%
Food and Beverage	1.7%	3.8%
Hardware and Home Improvement	3.5%	3.5%
Hobby, Toys, Arts, Crafts and Sporting Goods	3.6%	2.8%
Home Products/Furniture/Appliances	6.4%	5.4%
Industrial/Commercial Manufacturing	2.2%	
Specialty	-	2.2%
<b>Grand Total</b>	<b>3.1%</b>	<b>3.0%</b>

- **Definition: The total cost to operate all storage and distribution facilities**
- Top quartile (best 25%) results average 1.4% across all Consortium companies.



# Transportation Cost

## As a Percentage of Revenue

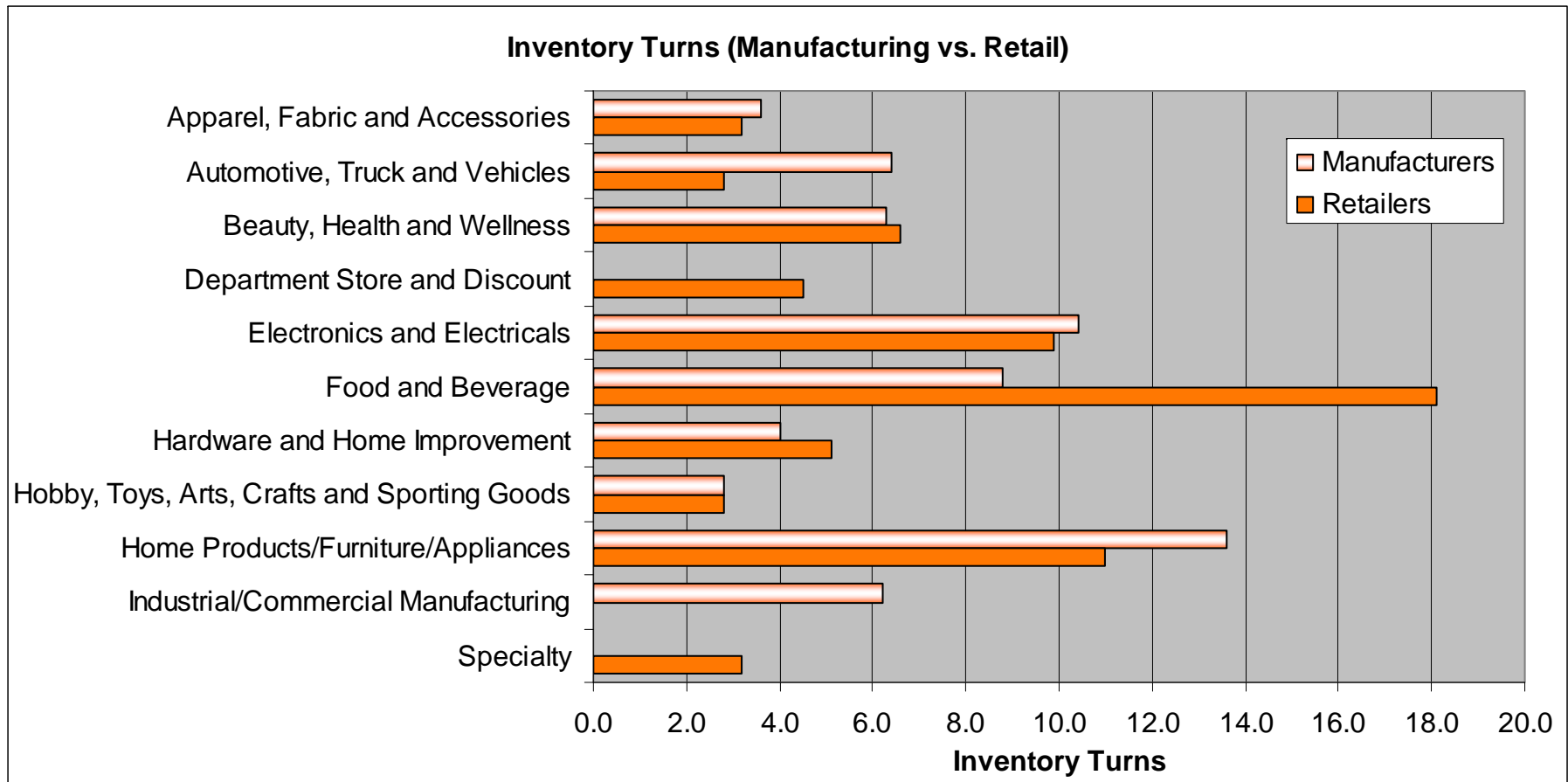
Average Transportation Cost as a Percentage of Revenue		
Industry	Manufacturing	Retail
Apparel, Fabric and Accessories	1.8%	2.2%
Automotive, Truck and Vehicles	4.5%	1.3%
Beauty, Health and Wellness	4.5%	3.6%
Department Store and Discount	-	2.3%
Electronics and Electricals	2.5%	2.3%
Food and Beverage	5.6%	3.1%
Hardware and Home Improvement	3.5%	5.3%
Hobby, Toys, Arts, Crafts and Sporting Goods	2.6%	2.2%
Home Products/Furniture/Appliances	3.8%	3.7%
Industrial/Commercial Manufacturing	4.0%	-
Specialty	-	2.2%
<b>Grand Total</b>	<b>3.7%</b>	<b>2.8%</b>

- **Definition: The total cost of all modes including amounts paid to LSPs for transportation and costs for dedicated fleets**
- Top quartile (best 25%) results average 1.5% across all Consortium companies.



# Inventory Turns

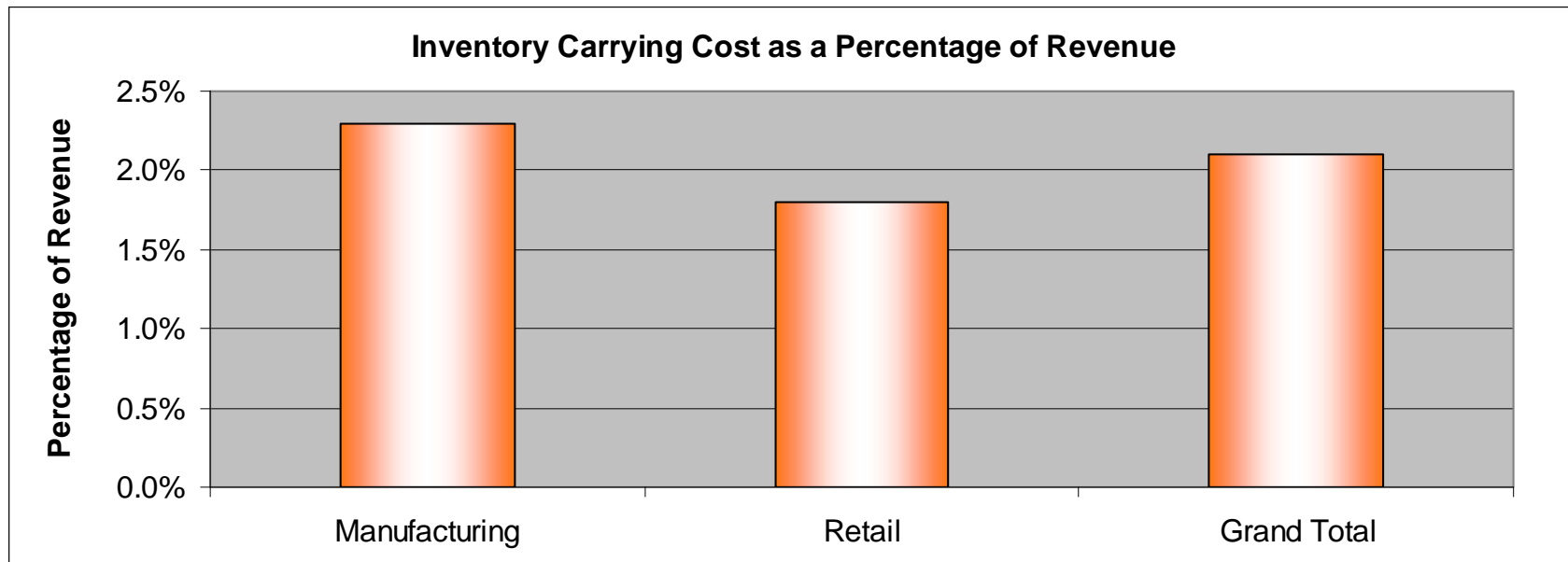
## Financial Based on Cost of Goods Sold





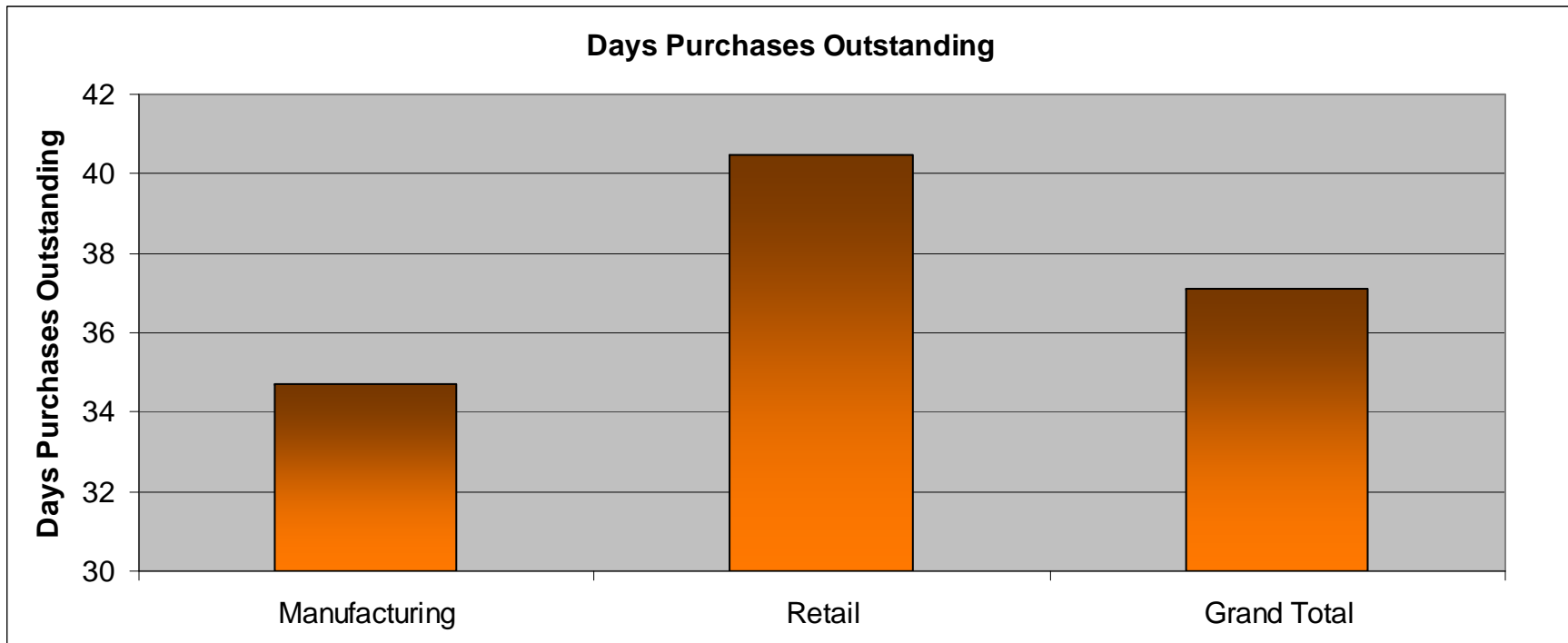
# Inventory Carrying Cost

## As a Percentage of Revenue



- **Definition: A company's actual inventory carrying costs divided by annual revenue**
- Top quartile (best 25%) results average .5% across all Consortium companies.

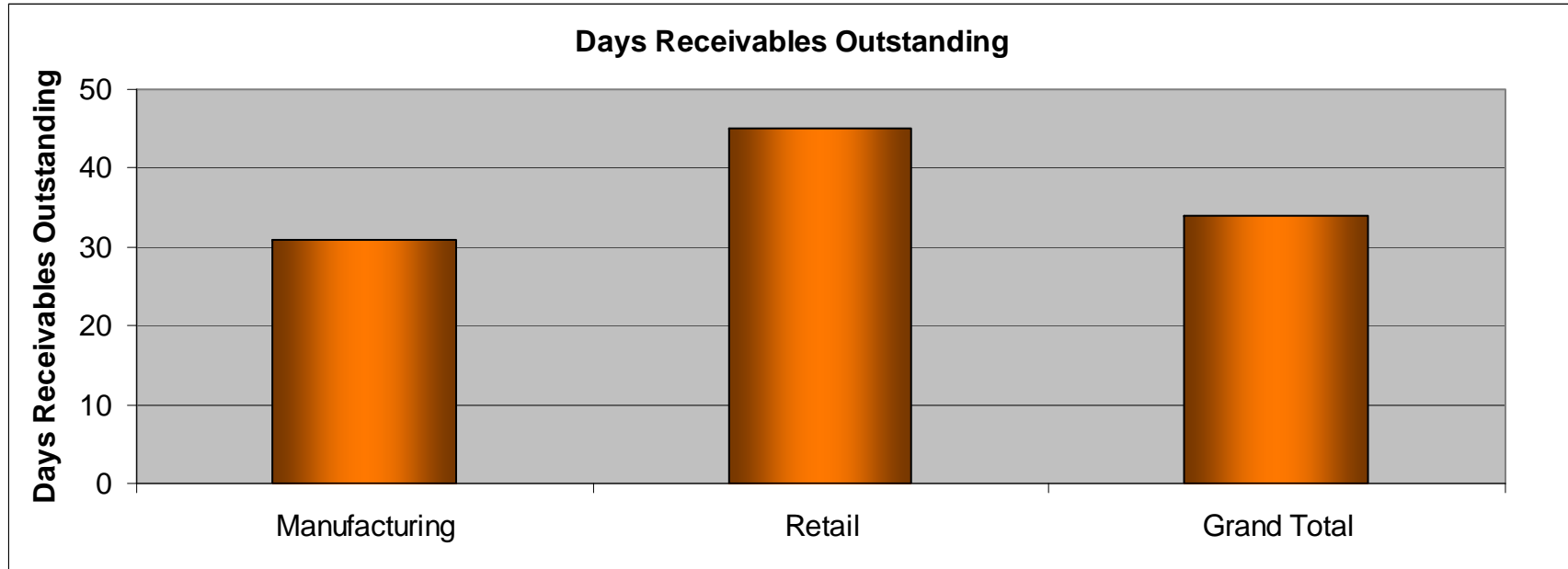
# Days Purchases Outstanding



- **Definition: A company's average payable period**
- Top quartile (best 25%) results average 52.7 across all Consortium companies.



# Days Receivables Outstanding



- **Definition: A company's average days to collect payment after the sale of an item**
- Top quartile (best 25%) results average 9.0 across all Consortium companies.

# Factors Driving SC Costs



Primary Factors Driving Supply Chain Costs (Importance Scale: 0-99; 99=Most Important)			
Overall Transportation Costs	81	International Sourcing	56
Labor Productivity	75	Ocean Rates	54
Truckload Rates	73	Resource Sharing Between Business Units	54
Sales Forecast Accuracy	68	Material Handling Equipment Investment	52
Coordination Between Supply Chain Functions	68	Security Requirements	49
DC Inventory	65	In-Transit Inventory	48
Store Inventory	65	3PL Transportation Fees	46
Supply Chain Network Design	65	Purchase Order Freight Terms	45
LTL Rates	64	Inbound Consolidation Costs	42
Facility Costs	64	Expedited Shipments	39
Manufacturing Inventory	62	Outbound Pool Distribution Costs	38
Stockouts at Stores	61	3PL Distribution Fees	38
Vendor Compliance	59	Air Freight Rates	36
Stockouts at DCs	59		
Technology Acquisition	57		

# Factors Driving SC Costs (continued)



- In the survey, companies are asked to identify factors affecting their supply chain costs on an importance scale from 0 to 99, with 99 being extremely important.
- The top five factors are:
  1. Overall transportation costs
  2. Labor productivity
  3. Truckload rates
  4. Sales forecast accuracy
  5. Coordination between supply chain functions
- How would your responses differ from these?

# Discussion Points



# Discussion Points



- Are there other key supply chain cost metrics that you monitor?
- Are there better metrics for identifying the true state of your supply chain that you can share?
- Many supply chain costs are traded off against one another based on the design of the network goals of the organization. How do you manage these tradeoffs?
- Given the constant change that we are seeing in our supply chains, how do you keep on top of today's environment?