

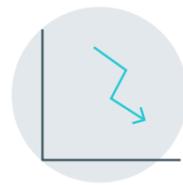
You would use this approach as part of the design of your manufacturing process and material replenishment systems.

## Projected performance gains



### Improved

- Supply Chain performance



### Reduced

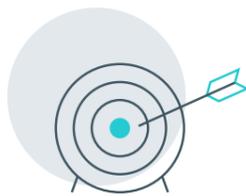
- Cost

### Example here

An effective Supply Chain is essential to a high performing business, if you don't measure it you can't improve it.

## What investment is needed to understand the concept?

### DIFFICULTY



### Medium

Requires some reading around the subject and a structured approach.

### ACTIVITY



### Team

Best results come from a team from procurement and materials areas.

### EQUIPMENT



### Some

White board, Excel spreadsheet, software or paper based system.

## Explanation of the concept

Supply Chain Measures help to improve the overall performance of the Supply Chain by identifying improvement opportunities. Many businesses are solely focused on cost as a measure, but this is only one aspect that should be measured.

More and more Supply Chains differentiate businesses. In a business environment where nobody wants to hold the stock, it is critical that Supply Chains can respond effectively to customer demand. It may be cheaper at a buy price level to source a product from a low-cost geography, but if it takes eight weeks to arrive you may lose the order. It is useful to consider the Supply Chain as a whole, and put in place measures that cover multiple facets of its performance. These could include:

- **Stock turns / days of stock** – how often stock rotates / how much stock is held on average
- **Inventory holding costs** – how much it really costs to hold stock
- **Buy price variance** – tracking the ability to buy at a lower price than last time
- **Inventory accuracy** – how often when parts are picked they are actually found
- **Supplier delivery performance** – how many purchases have been delivered on time by suppliers
- **Fill rate** – the percentage of customer orders met on time and in full (OTIF).

## What action should I take?



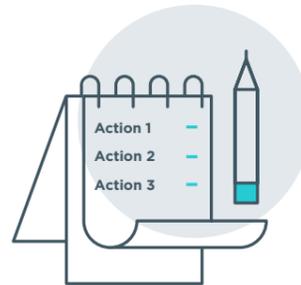
1

Gather together a team involved in procurement and materials.



2

Explain the concepts behind Supply Chain Measures.



3

Agree on a small number of Supply Chain Measures that you believe will best serve your business.



4

Start to measure Supply Chain performance and use the data to make better decisions about how to improve Supply Chain performance.

## Recommended Reading



Bichen, J. (2004). *The New Lean Toolbox*. Piccie Books.  
ISBN 0 9541 2441 3

Bozarth, H. (2017). *Introduction to Operations Management and Supply Chain*. 4th Edition. Pearson.  
ISBN 978-9332586376



Chartered Institute of Procurement and Supply (CIPS)  
<https://www.cips.org/>

GC Business Growth Hub Factsheet 16: KPIs and Performance Management  
<https://www.businessgrowthhub.com/manufacturing/resources/factsheets>

GC Business Growth Hub Factsheet 10: Supply Chain Fundamentals  
<https://www.businessgrowthhub.com/manufacturing/resources/factsheets>

## Glossary

**On Time In Full (OTIF)** – A measurement which demonstrates how often the customer gets what they ordered by the agreed delivery date in full.

For more advice, case studies and additional factsheets visit:  
[www.businessgrowthhub.com/manufacturing](http://www.businessgrowthhub.com/manufacturing)