

# **SUPPLY CHAIN MANAGEMENT**

## **SUPPLY PERFORMANCE MEASUREMENT**

“Approach to judge the performance of supply chain system”

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# The four key Supply Financial Indicators

Total Supply Cost (TSC)

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Purchase order Cost (POC)

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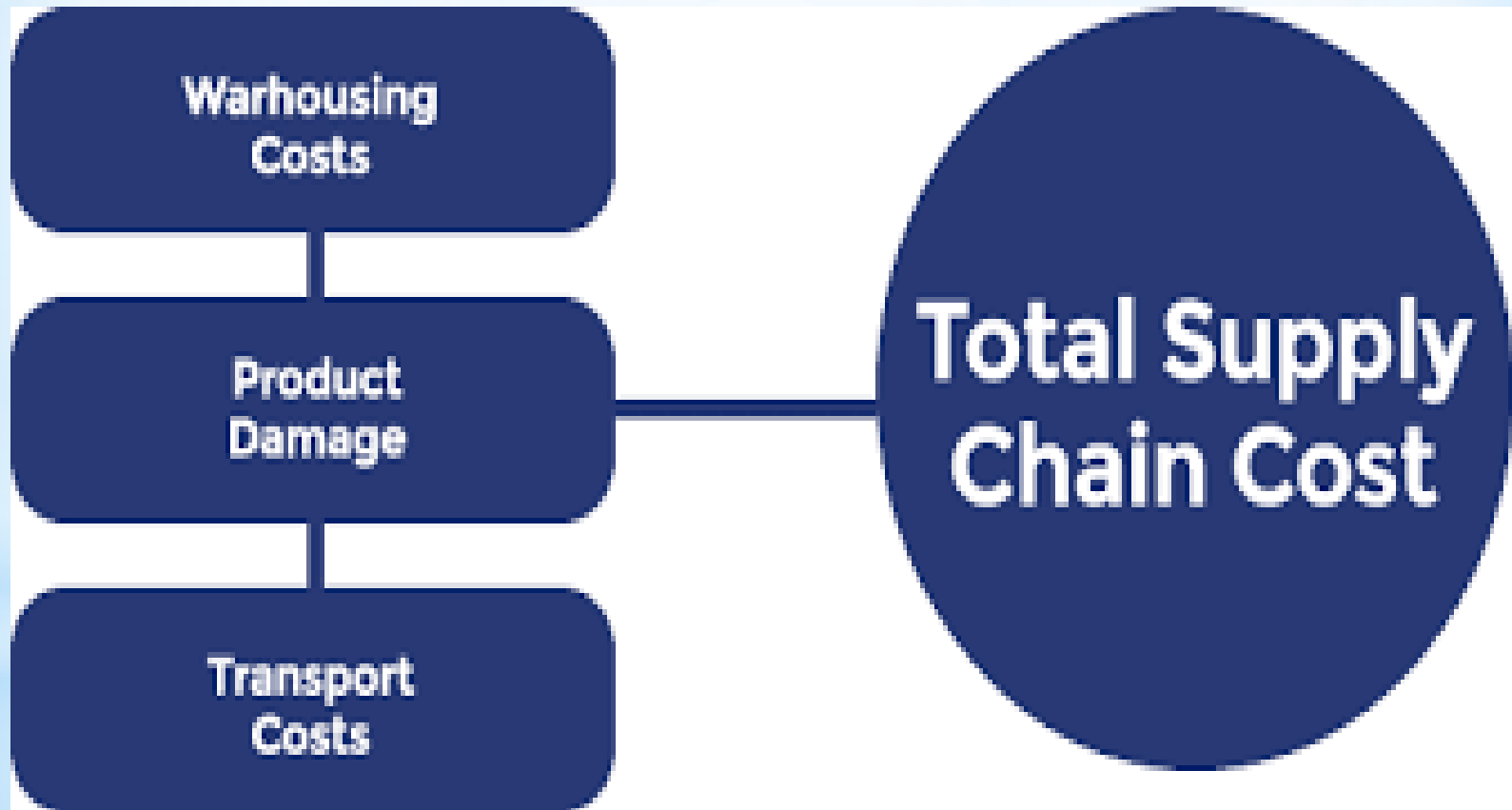
Supplier Return on Inventory  
(SROI)

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Supplier total logistics cost  
(STLC)

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# TOTAL SUPPLY COST



# PURCHASE ORDER COST

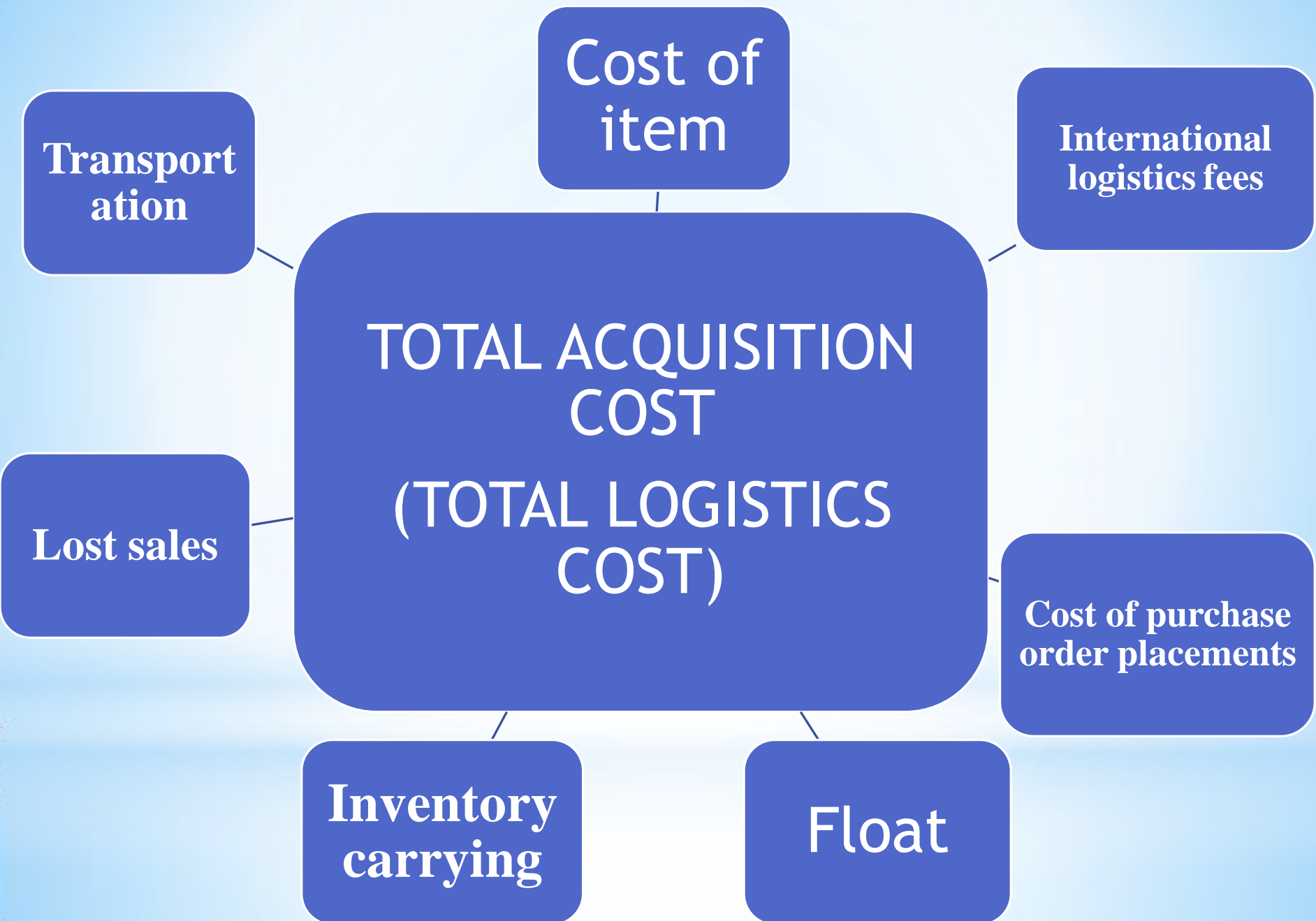


Reduce Purchase  
Order Cost

Overall cost per purchase  
order =  $\frac{\text{Total Supply Cost}}{\text{number of purchase orders placed}}$

# SUPPLIER RETURN ON INVENTORY





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# SUPPLY MANAGEMENT PRODUCTIVITY

Number of Stock Keeping Units (SKU) managed

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Number of suppliers managed

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Number of purchase order launched per person-hour

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Inventory turns

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Fill rate performance

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# SUPPLY QUALITY

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*Perfect purchase order percentage (PPOP)*

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*Vendor fill rate (VFR)*

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*Supplier satisfaction index (SSI)*

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Matching rate of receipts and purchase orders

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# Purchase Order

Purchase Order No.

Name  To   
Company   
Street Address   
City, State, Zip   
PO Date

Vendor Code

Buyer

Ship Via

Name  Ship To   
Company   
Street Address   
City, State, Zip

Freight

F.O.B.

Req. Date

Terms

Required

Item Number

Quantity

Unit

Description

Shipment

Remarks

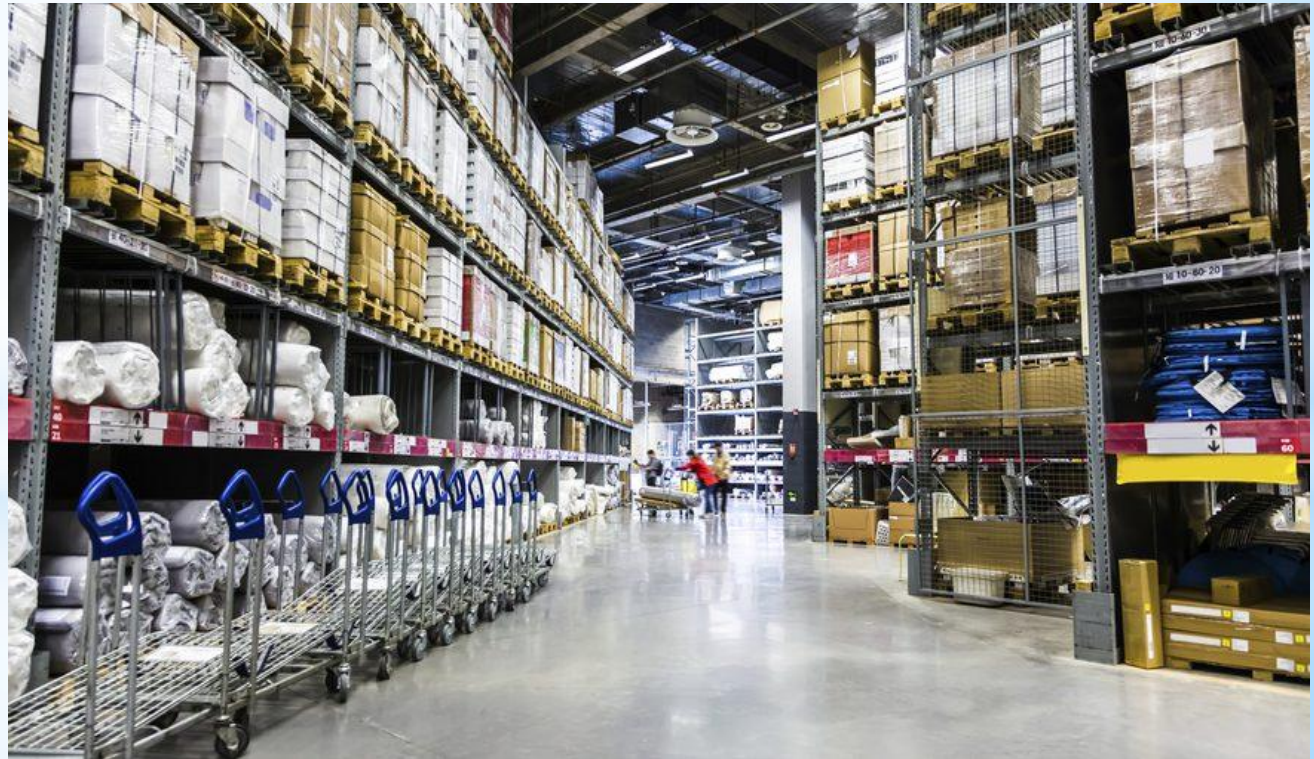
Unit Cost

Extended

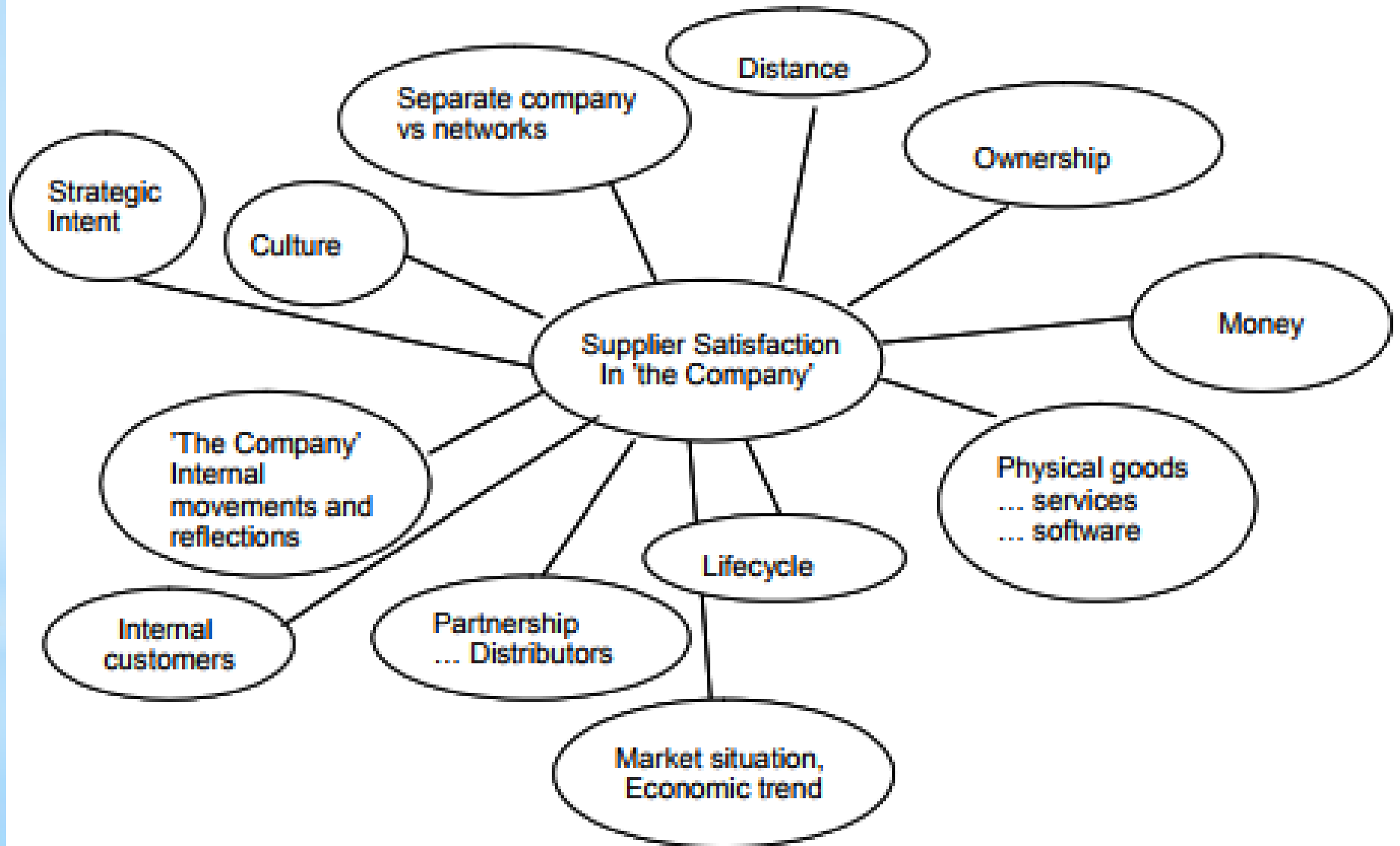


# VENDOR FILL RATE

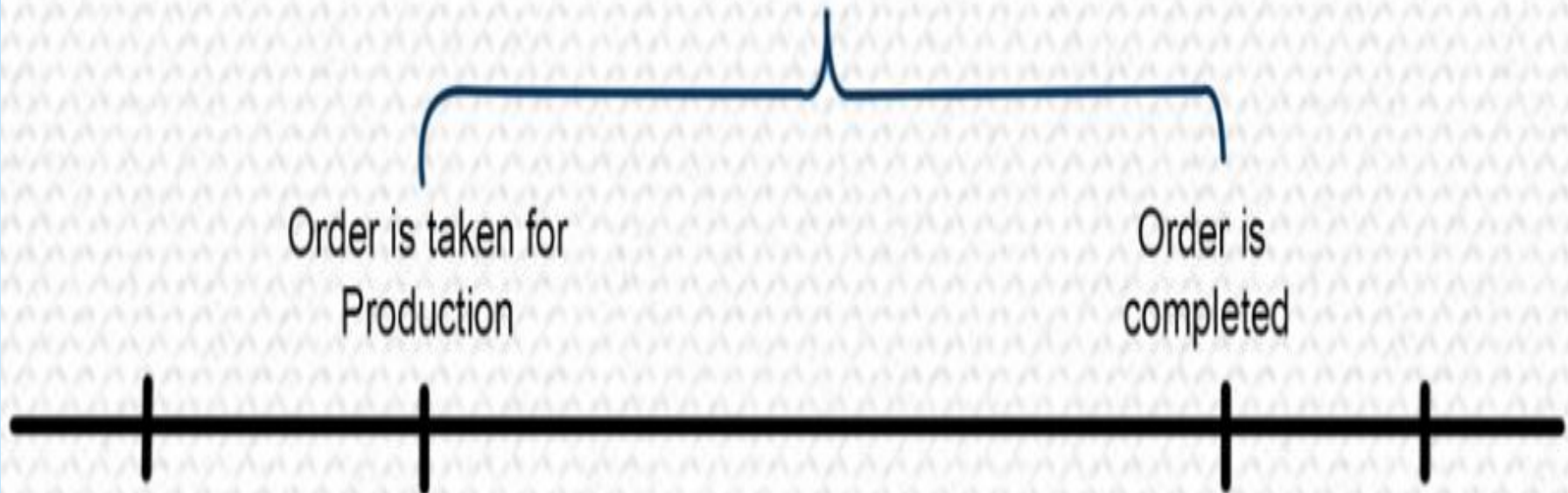
**Fill rate = Amount of work or product a supplier has provided / Total amount of work or product necessary**



# SUPPLIER SATISFACTION INDEX



Cycle Time



Order is taken for  
Production

Order is  
completed

Order received  
from Customer

Order Delivered  
to Customer



Lead Time

# SUPPLY SERVICE POLICY

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Supplier logistics certification criteria

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Supplier classification based on logistics performance and activity levels

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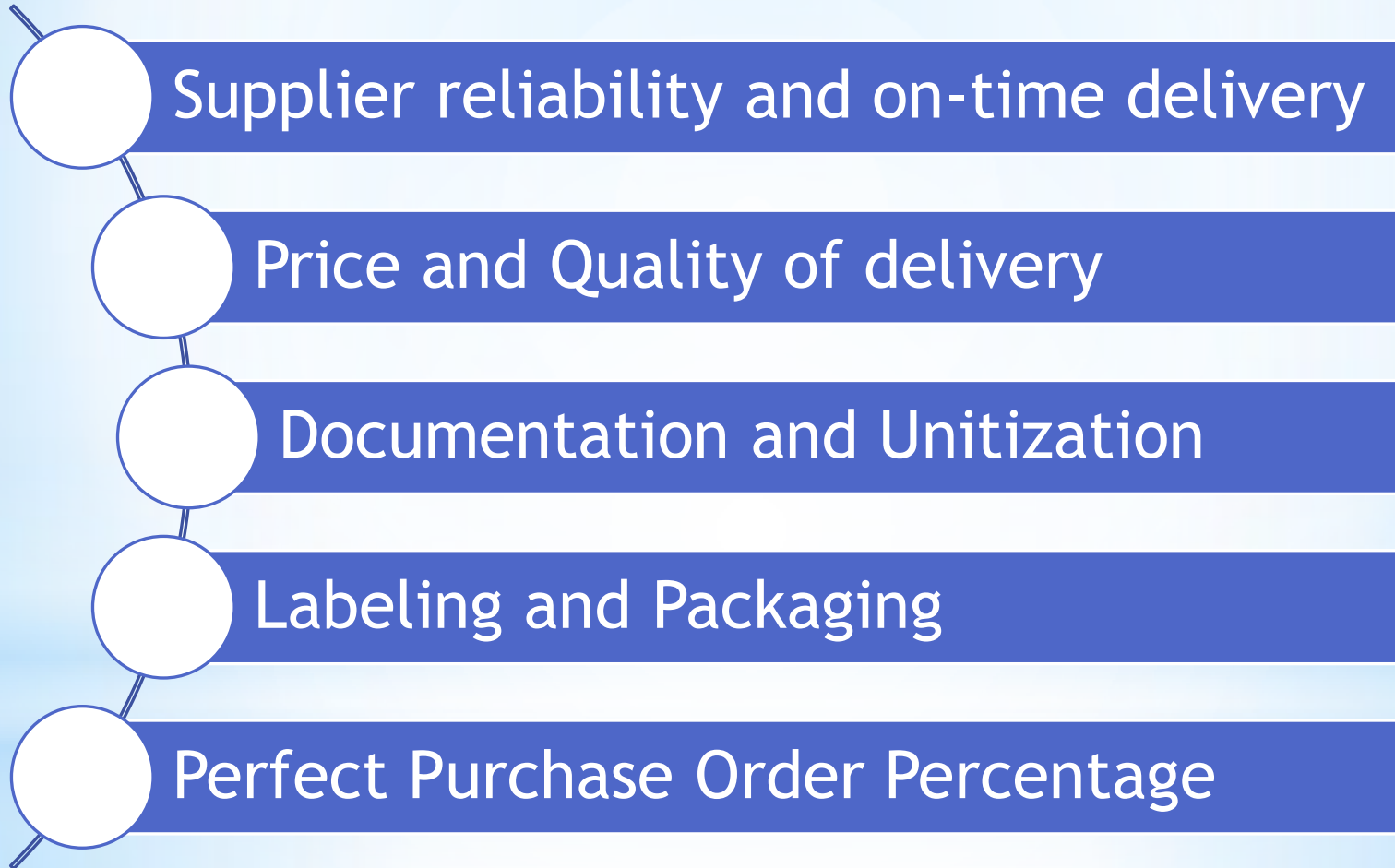
Nonconformance penalty programs

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Segmented inbound logistics strategies

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# SUPPLIER CERTIFICATION CRITERIA

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- Supplier reliability and on-time delivery
  - Price and Quality of delivery
  - Documentation and Unitization
  - Labeling and Packaging
  - Perfect Purchase Order Percentage

**NON  
CONFORMING**

ORDER NO. \_\_\_\_\_

PART NO. \_\_\_\_\_

QTY. \_\_\_\_\_

DESCR \_\_\_\_\_

# SUPPLIER CLASSIFICATION

		Supplier Classification		
		A	B	C
Item Classification	A	A Items from A Suppliers	A Items from B Suppliers	A Items from C Suppliers
	B	B Items from A Suppliers	B Items from B Suppliers	B Items from C Suppliers
	C	C Items from A Suppliers	C Items from B Suppliers	C Items from C Suppliers

# SEGMENTED INBOUND LOGISTICS



# SOURCING



**'Make'**

Strategic

In-house  
expertise

Availability

**'Buy'**

Direct & indirect  
costs

3rd-party risk

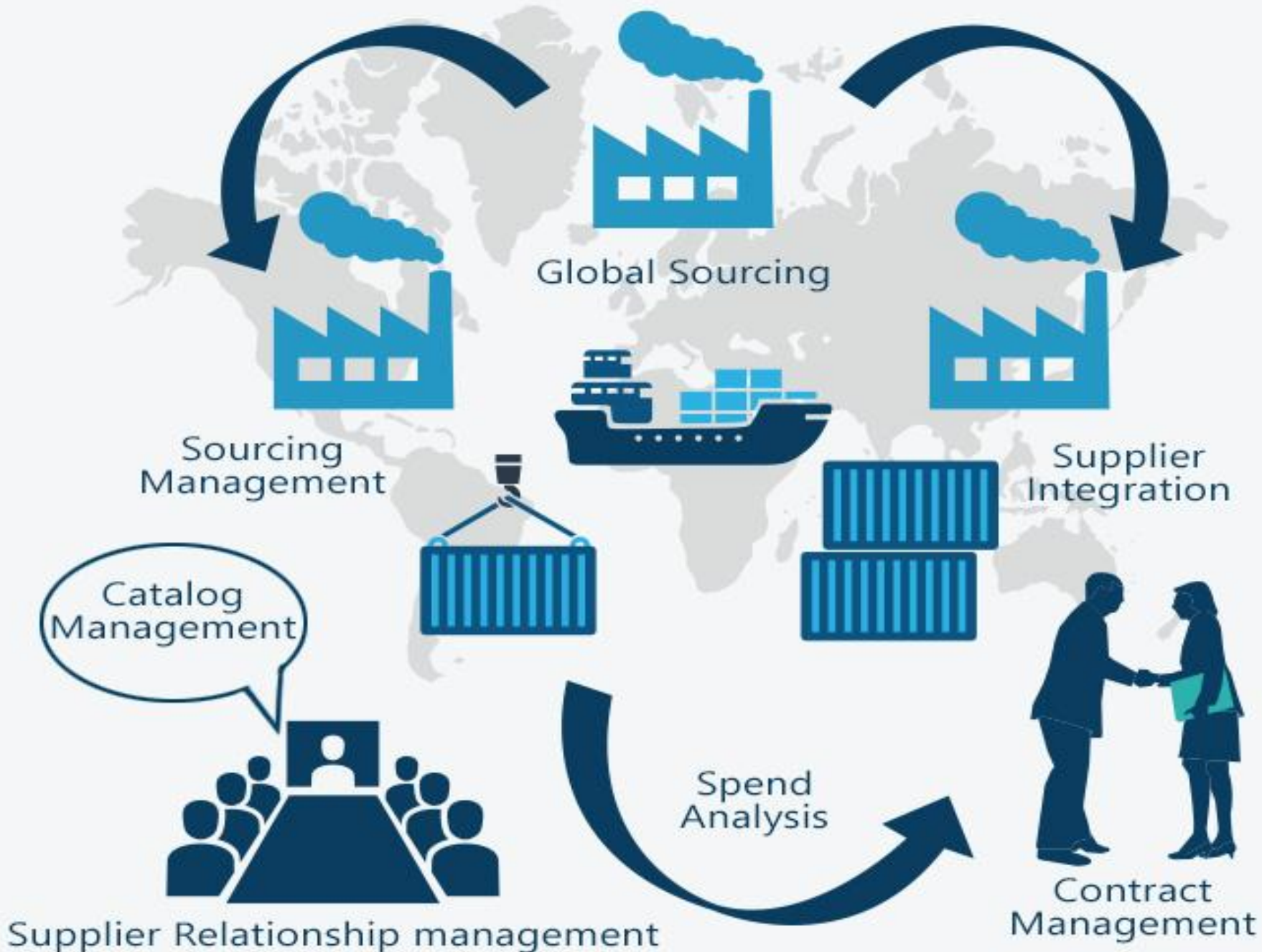
Legal  
considerations



# Total Acquisition Cost (TAC) Analysis

License Plate	Total Logistics Cost	Annual Turn	COG Received	GM ROI	Gross Margin	Average Inventory Value
<b>Domestic Scenarios</b>						
1st Break	\$25,577	8.23	45.5%	934%	\$26,354.15	\$2,820.69
2nd Break	\$21,977	7.34	39.5%	1,090%	\$29,929.30	\$2,744.98
3rd Break	\$21,007	6.43	37.8%	1,032%	\$30,983.85	\$3,002.88
4th Break	\$19,494	6.03	35.0%	1,098%	\$32,482.13	\$2,958.31
<b>Current Buy-Domestic</b>	<b>\$22,177</b>	<b>4.31</b>	<b>39.5%</b>	<b>650%</b>	<b>\$30,364.55</b>	<b>\$4,670.60</b>
<b>International Scenarios</b>						
1st Break	\$20,105	2.86	30.6%	613%	\$32,651.86	\$5,324.13
2nd Break	\$19,564	1.88	28.9%	444%	\$33,960.09	\$7,649.83
3rd Break			0.8%			
4th Break			0.8%			
<b>Current Buy-International</b>			0.8%			
<b>Crossdock Scenarios</b>						
Domestic Crossdock	\$27,879	12.51	47.5%	1,227%	\$23,759.51	\$1,936.00
<b>Crossdock Buy-Dom Cross</b>			0.0%			
International Crossdock			0.8%			
<b>Current Buy-Intl Cross</b>			0.8%			

Source: Donald Waters, 2010



# On-Going Supply Base Rationalization and Consolidation

Analyse Categorized Spend



Look for Overlap



Compare



Does the supplier...

Support the change management aspect of the process?

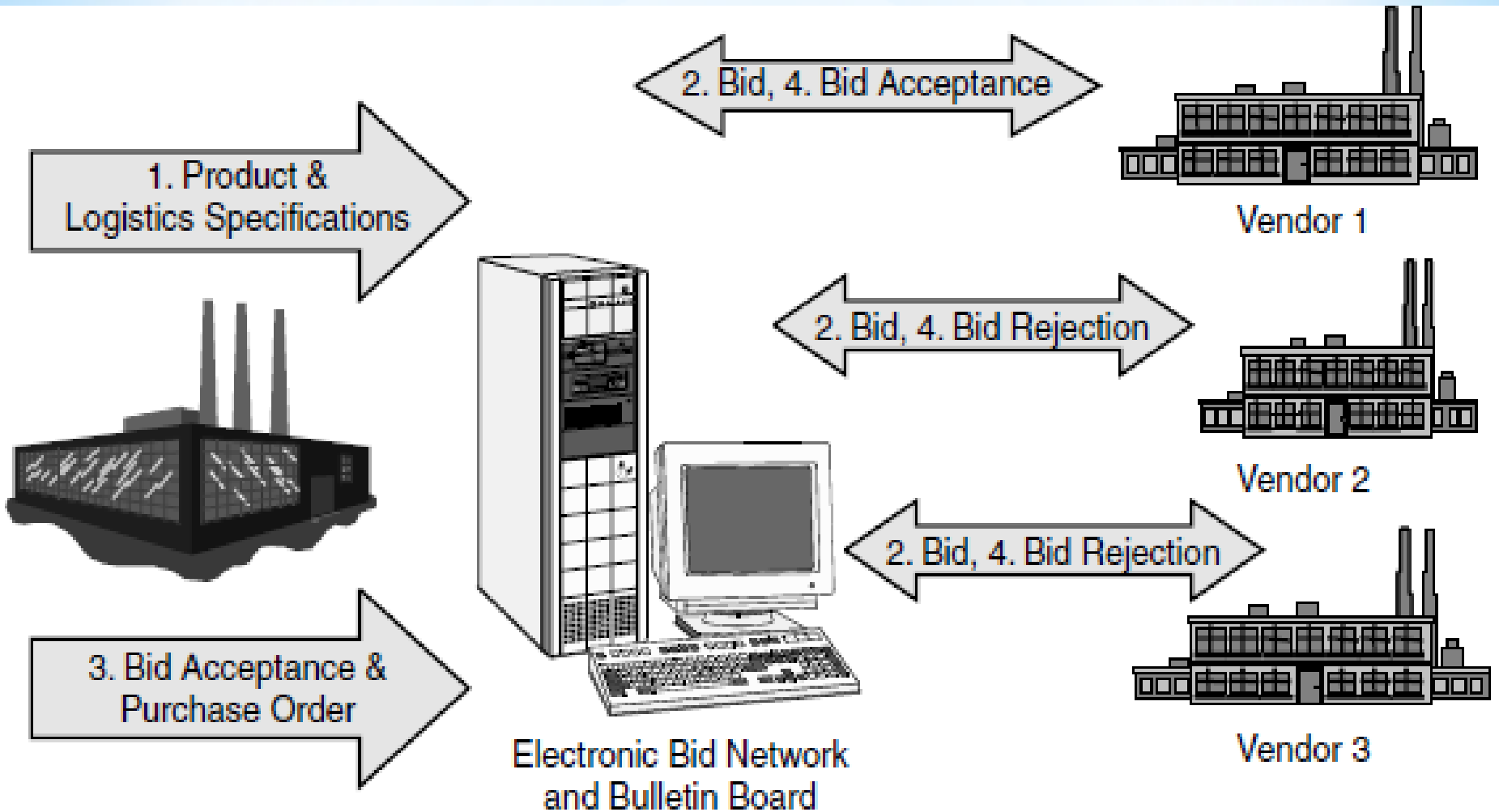
Proactively partner with you to identify savings opportunities?

Does the supplier match your locations?

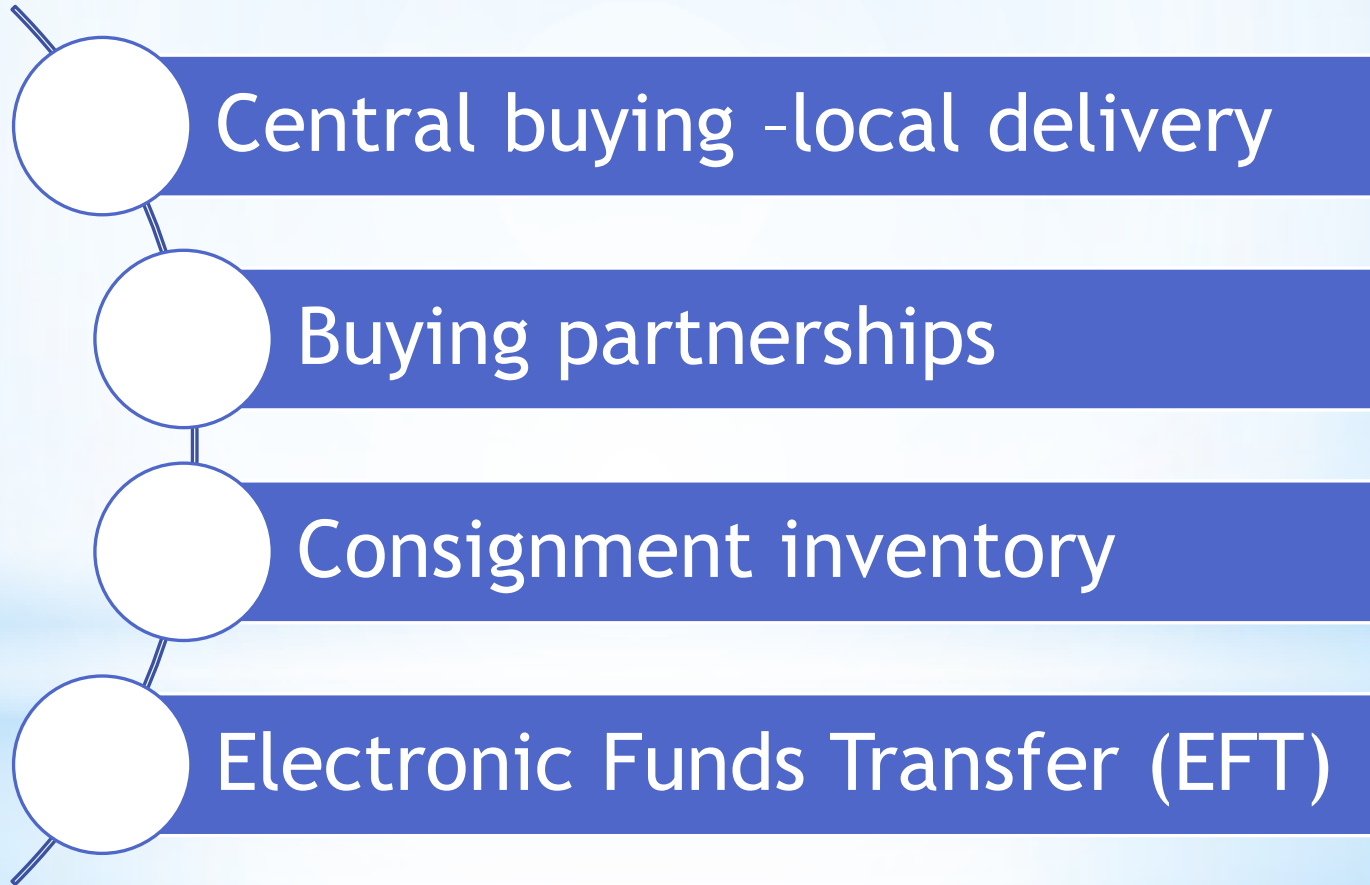
# Sole and Primary Sourcing



# Electronic Bid-Based Sourcing



# BUYING AND PAYMENT





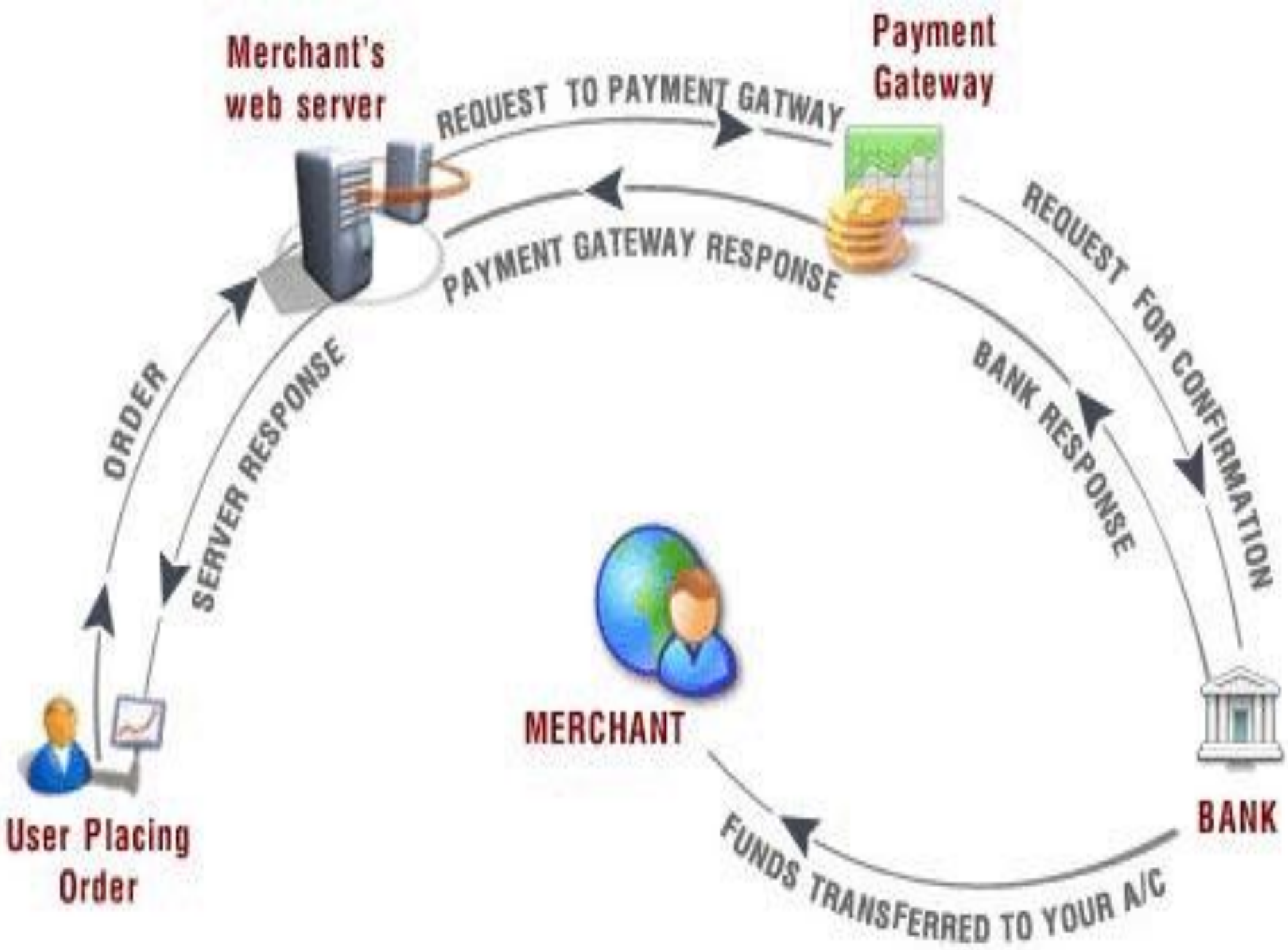
**Central buying—local delivery**



# Buying partnership

# Consignment inventory





**THE END**

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