Recommended Industry Supply Chain Scorecard Definitions
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The Recommended Industry Supply Chain Scorecard Definitions are designed to facilitate a dialogue among individual distributors and the manufacturers that supply products to them for the purposes of making the supply chain evaluation process more efficient and reducing the costs for all parties involved. They are not intended to express any views regarding individual distributors’ or manufacturers’ business decisions. All distributors and manufacturers will continue to make their own independent decisions regarding all matters affecting competition. Information outside the scope of the designated categories (e.g., manufacturer pricing and payment terms, promotional allowances, etc.) has been omitted from this document. However, individual distributors are free to discuss these subjects in separate dealings with individual manufacturers.

Why Measure Supply Chain Performance?

Better metrics lead to better decisions and better outcomes. HARDI distributors measuring supply chain performance report better relationships with channel partners, reductions in operating expenses and above average return on the time and effort invested. Furthermore, measuring supply chain performance can make processes more efficient, lower the cost of doing business together, and give the channel a sustainable competitive advantage in delivering value to end-customers.

Vision for HARDI’s Supply Chain Scorecard

HARDI’s Supply Chain Scorecard is more than a report handed out at booth sessions. It is a disciplined, ongoing, consistent, strategic, business tool to enhance efficiency, improve performance to customers, and drive results. It also enables distributors and manufacturers to identify issues, develop action plans, and hold each other accountable for results. Industry benchmarks, similar to the Performance Analysis Report (PAR), will be developed once a critical mass of distributors (approximately 100) measure supply chain performance.

Administration Measures

EDI Capabilities: Top 5 EDI Transaction Sets

- **EDI 850: Purchase Order**—Electronic version of a paper Purchase Order.
- **EDI 810: Invoice**—Electronic version of a paper invoice.
- **EDI 855: Purchase Order Acknowledgement**—Electronic version of a phone call, fax, or hard copy of a purchase order acknowledgement. **NOTE:** The EDI 855 can also be used in conjunction with the EDI 852: Product Activity Data as an initiation of a VMI Order.
- **EDI 856: Ship Notice/Manifest**—Electronic version of a printed packing slip sent when product is shipped.
GS1 128: Shipping Container Label—Scannable packing list. A UCC 128 lets the receiving department know what is in the shipment without having to open the cartons. **NOTE:** Used in conjunction with the EDI 856: Ship Notice/Manifest, when a shipment with a UCC-128 is received, it is scanned and the contents of the shipment are electronically matched in the receiver’s computer. This streamlines the receiving process by eliminating the manual entry of data.

Communication of Back Order Status: **Recommended Best Practice**—Vendors use either the EDI 855: Purchase Order Acknowledgement to keep HARDI distributors up-to-date on any backorder situations. **NOTE:** Although not in widespread use in the HVACR industry, the EDI 870: Order Status Report can also be used to communicate backorder status.

Availability of Electronic Pricing: **Recommended Best Practice**—Vendor pricing should be easily downloadable by HARDI distributors from password protected websites in .csv, .txt, and/or Excel® format, or proactively email pricing as an email attachment with automatic tracking to ensure the email is delivered and opened.

Price Change Notification—The number of calendar days in advance of price changes notification is provided in written form, i.e., announcement letter or email.

Purchase Order Entry Metrics

- **# Purchase Orders**—The number of P.O.’s issued to a specific vendor during a specific time period.
- **$ per Purchase Order**—Total P.O. dollars to a specific vendor for a specified time period divided by the number of P.O.’s issued to that vendor during a specified time period.
- **EDI 850 Purchase Orders by Line Item & $$$**—The percent of line items/dollars submitted via the EDI 850 Purchase Order to a specific vendor during a specific time period.
- **Bids Entered and Won**—The dollars/% of bids entered and won during a specific time period.
- **Stock Sales Percent**—Percent of total sales to customers shipped from the HARDI distributor’s warehouse during a specific time period.
- **Direct Sales Percent**—Percent of total sales to customers shipped direct from the manufacturer during a specific time period.
- **Sales Performance to Forecast**—Percent of total sales for a specified time period in relation to the sales forecast for that time period.
Scheduling & Expediting Measures

⇒ **Initial Fill Rate**—P.O. lines received complete on the first receipt as a ratio to total lines.

⇒ **Average Lead Time**—Number of calendar days difference between the date of the P.O. and the date of the first receipt for each line item.

⇒ **Lead Time Variance**—Published lead time for an item in calendar days minus the actual number of calendar days between when an item is ordered and when it is received. (*Defined May 24, 2013*)

⇒ **Average Number of Shipments per Order**—Average number of receipts it takes to complete a P.O. based on a 12 month moving average.

Shipping and Invoicing Measures

⇒ **Shipping Accuracy**—Number of line items received 100% correctly—undamaged, correct quantity, products, and documentation—divided by the total line items shipped.

⇒ **Shipping Damage**—Number of parts with no damage at time of receipt divided by the total number of parts received.

⇒ **Product Quality**—Number of defective parts returned* divided by total number of parts received.
  *Excluding parts with shipping damage

⇒ **Invoice Accuracy**—Number of line items invoiced 100% correctly—correct quantity, correct part number, correct description, correct price, correct terms, etc.—divided by the total line items invoiced.

⇒ **Electronic Invoices**—Total number of invoices received electronically divided by total number of invoices received.

Inventory Policy Measures

⇒ **Inventory Turns**—Cost of Goods Sold for sales through stock divided by Average Inventory Value.*
  
  * Average Inventory is the average of the inventory within the rolling 12 months.

⇒ **Inventory Investment per Vendor**—Inventory Investment in this Vendor’s Products divided by Total Inventory Investment.

⇒ **Number of Items Stocked per Vendor**—Number of SKUs of this Vendor’s Product Stocked divided by Total Number of SKUs Stocked.
  
  \[ \text{Example: A HARDI distributor has 8,343 active SKUs including 722 Fargo Company SKUs.} \]
  \[ \frac{722}{8,343} = 8.7\% \text{ of items stocked are Fargo Company SKUs.} \]

⇒ **Number of Customers Purchasing an Item:** Recommended Best Practice
HARDI distributors should measure the number of customers who purchase specific items in order to increase share of wallet, minimize inventory, and stock the right items.

➡ **Dead Stock**—SKUs (stock or non-stock) on hand with no sales in the last 12 months.

➡ **Slow Moving Stock**—The amount of inventory in excess of a specified number of days supply. 
   **NOTE**: Generally, no more than a 90-day supply.

➡ **Returned Item Percent** —

\[
\frac{\text{Items in Salable Condition Returned* to this Vendor}}{\text{Total Items Purchased from this Vendor}}
\]

*Excludes parts with shipping damage and products returned for product quality

**What You Can Do**

Please help us leverage the collective knowledge of the industry by giving us your feedback by **November 10, 2013**.

Share your insight and input with the Supply Chain Scorecard task force by contacting Brian Loftus, HARDI Market Research & Benchmarking Analyst, at 614.345.4328 or bloftus@hardinet.org.

And be on the look-out for additional tools from HARDI’s 2012 Supply Chain Scorecard Task Force, available for download on [www.hardinet.org/supplychainscorecard](http://www.hardinet.org/supplychainscorecard).