Supply Chain Scorecard for Distributors to Measure Vendors

Consistent measurements build stronger performance and relationships

HARDI resources that fuel your competitive advantage

Heating, Air-conditioning & Refrigeration Distributors International

Distributor:

Contact: email: phone:

Time Period

From:

To:

Vendor:

Contact: email: phone:

EDI Transaction Usage:

	Set-up	In-Use
EDI 850: Purchase Order	◇	◇
EDI 810: Invoice	◇	◇
EDI 855 P.O. Acknowledgement	◇	◇
EDI 856: Ship Notice/Manifest	◇	◇
GS1: Shipping Container Label	◇	◇

Electronic Pricing:

Downloadable in .csv, .txt. and/or excel   ◇

Proactively emailed and receipt tracked   ◇

Price Change Notification:

days received in advance of change   _____

Target # days to receive prior to change   _____

Sales with this vendor
total sales   % stock sales   % direct sales

Purchase order statistics
POs issued $ per PO

EDI 850 Purchase Orders
Line items $ per EDI 850 PO

Bid statistics
$ bid $ won   % of bids won

Sales performance [this vendor] vs forecasts

Scheduling & Expediting

Initial Fill Rate
PO lines received complete on the first receipt as a ratio to lines

Average # Shipments Per Order
Average number of receipts it takes to complete a PO based on 12 month moving average

Average Lead Time
Number of calendar days difference between the date of the PO 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.

Shipping Statistics

Shipping accuracy
Number of line items received 100% correctly divided by the total line items shipped

[undamaged, correct quantity, products and documentation]

Shipping damage
Number of parts with no damage <u>at time of receipt</u> divided by the total number of parts received

Product quality
Number of defective parts returned [excluding damaged parts] divided by total number of parts received

Invoicing Statistics

Invoice Accuracy
Number of line items invoiced 100% correctly divided by the total line items invoiced.

[correct quantity, part number, description, terms, etc.]

Electronic Invoices
Total number of invoices received electronically divided by the total number of invoices received

Inventory Policy

Inventory Turns
Cost of Good Sold for sales through stock divided by Average Inventory value

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 [*generally no more than 90-days*]

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

Returned Item Percent
Items in Salable Condition Returned to this Vendor divided by the Total Items Purchased from this Vendor [excludes parts with shipping damage and products returned for product quality]

HARDI resources that fuel your competitive advantage
Heating, Air-conditioning & Refrigeration Distributors International

Consistent measurements will build stronger performance and relationships

The Management Methods Committee continues to drive process efficiencies and performance improvements by developing recommended Supply Chain Scorecard definitions. The use of the same definitions industry-wide will foster dialog between distributors and suppliers for the communication of key metrics and goals, allow individual HARDI distributors to turn general conversations with vendors into discussions on specific areas requiring improvement by eliminating the interpretation of how a specific measure is calculated, and drive process efficiencies to the bottom line.

Building on the Vendor Review Tool developed by HARDI's Controls Council in 2007, the use of standard definitions throughout the HVACR industry for performance measures can be a catalyst for planning and collaboration and will highlight suppliers' contributions to our business objectives. Once adopted by a critical mass of HARDI distributors, standard industry metric definitions will also foment industry benchmarking of vendor performance.

"Tips for implementing a scorecard in your business"

First Steps
• Appoint an executive to "champion" scorecard and lead implementation
• Speak the same language by using the recommended industry definitions
• Internalize scorecard into day-to-day operations

Implementation
• Select specific measures that matter to your company
• Pilot your implementation with a few specific items with a few key suppliers

Review performance; identify areas for improvement
• Trend measurements to show improvement
• Regularly share scorecard to drive results to the bottom line

Benchmarking is an evolving process
• Continuously adapt your scorecard to changing business conditions
• Constantly upgrade your scorecard

HARDI's Management Methods Committee believes the Supply Chain Scorecard is another valuable benefit of HARDI membership by allowing HVACR distributors and manufacturers to identify issues, develop action plans, and hold each other accountable for results.