

Why do logistics service providers need to focus on KPI reporting?



The ambitious logistics SME is aware that the larger retailers and blue-chip companies are keen to benefit from bespoke service arrangements and personal service. These customers are turning to smaller 3PL's for services previously the domain of the larger logistics service providers. However, they come to the SME's with high expectations, including requirements and demands relating to Management Reporting.

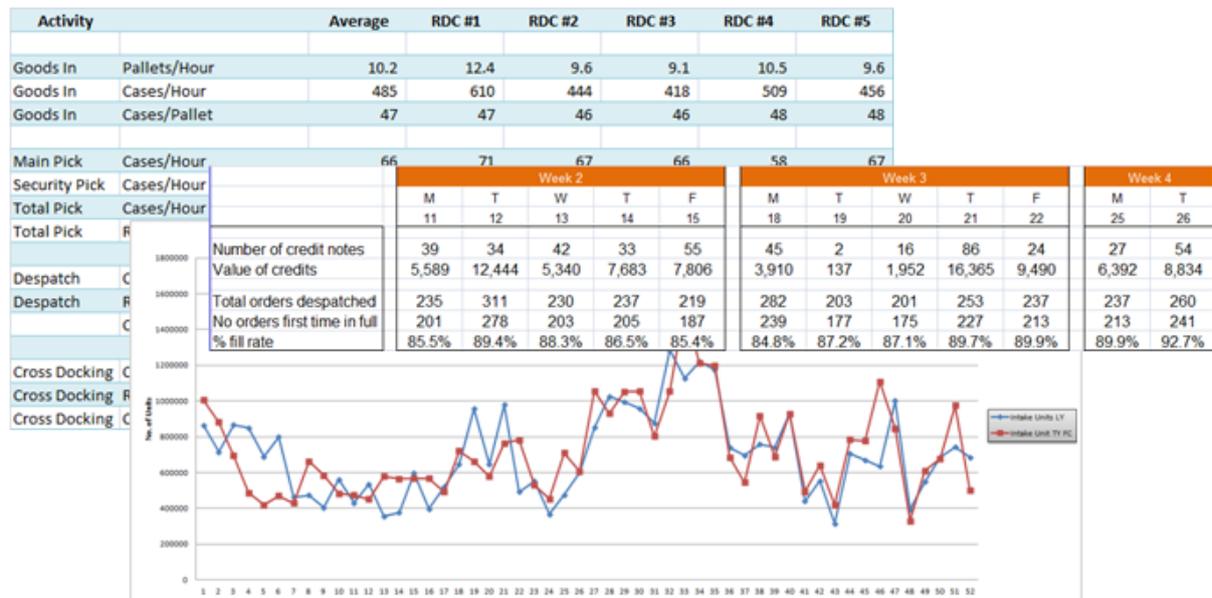
Small to medium sized companies in the logistics sector are well positioned to provide a differentiated service. Currently, typical customers may have an annual logistics spend of up to £500k, which may not attract the interest of the larger third party logistics service providers but ideal for the smaller enterprise. The smaller logistics service provider is flexible enough to adapt its way of working to the customer, allowing improved levels of customisation, consequently the service provided can be very much aligned to the customers' values. They are able to give customers the individual attention they appreciate.

Even the smallest logistics 3PLs will be equipped with efficient Warehouse and Transport Management Systems; these systems can be relied upon to produce basic delivery and service level information. Much of this reporting capability can be automated to update websites, send emails or provide data by EDI transfer as required. However, the larger organisations purchasing third party logistics services are accustomed to receiving high-quality, accurate, comprehensive and timely statistics.

In order to step up to this requirement the logistics SME has to think big: they may not have the back office support, the knowledge or the experience to provide this additional administrative service, but they know that they have the ability to fulfil the operational requirements in an exceptional manner. Smaller logistics firms concerned that their administrative ability to produce top-class management reports may not meet these demanding requirements can bring in outside support, in this way they can focus on doing what they do best, providing a top-class operation.

What is a top-class Key Performance Indicator reporting package?

Different organisations have a different emphasis on what they want to measure in their Supply Chain, this is where flexibility comes in. Providing a differentiated service to customers could be a positive commercial advantage. Logistics SME's need to ask what KPI's are required by specific customers want – those demanded by a retail customer, for instance, may well differ from those traditionally used in the transport and warehousing sectors.



There are common logistics KPI's and common industry practices that span all businesses. The key to producing effective KPI's is quality, not quantity. Generally speaking, KPI's fall into four broad categories:

- Service Performance (e.g. Delivery performance; OTIF; lead times)
- Cost (e.g. Cost per unit, case or order; inventory costs)
- Value Add (e.g. Throughput; productivity; cost per activity)
- Waste (e.g. Volumes; processing cost per unit)

The production and presentation of these statistics together with the availability of the supporting data can be the solution to satisfying the requirements of a challenging customer.

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