

WAREHOUSE KPI'S – WHO'S IN YOUR FAV-FIVE?

As a distribution professional, you have several key performance indicators you are always aware of. The operations and fulfillment field includes many KPIs--quantifiable measurements that reflect the success factors of an organization.

But which warehouse KPIs are in your “Fav Five?” Here are mine, in descending order.

5. Returns processed

By this I mean returns processed as a result of incorrect product being shipped, or that the warehouse made a mistake. If you do not accurately track this metric, how do you know the effectiveness of your warehouse staff? You don't!

4. Inventory movement

When was the last time you took a long, hard look at where your product is located within your warehouse? Most organizations don't do this regularly—and they should. Did you know that 20% of your product is picked for 80% of your orders? And 55% of your pickers' and receivers' time is spent traveling to and from your locations? That's why this metric is on my list.

3. Employee turnover

From recent studies, 40% of employees polled said they were actively looking to change jobs. The average employee will be with your organization for four years or less. A warehouse employee will leave your company for less than 50 cents more an hour--less than \$4 more a day. How do you reduce turnover? That's a whole other article, but keep in mind that “employees don't leave bad companies, they leave bad managers.”

2. Inventory accuracy

If your pickers and receivers spend 55% of their time traveling to and from your locations, and the product is wrong when they get there, what does that do to the productivity in your warehouse? Several things—all of them bad.

For one, it prevents receiving from being received and put away the day it arrives. It also means that returns may not be processed for weeks, and that

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orders will not be shipped 100% on-time. It can even prevent your warehouse from being cleaned.

When it comes to inventory accuracy, your KPI cannot be based on the results of your annual physical. The value of your inventory can be as high as 20% of your annual sales revenue. If this metric isn't in your Fav-Five, what you are measuring is irrelevant.

1. Profitability

There are a lot of things organizations measure, but let's face it, the most important metric we all track is profitability. Without profit there will be no cash to grow.

We all know we measure what we value. And that is why we place such an emphasis on sales metrics.

Now that you have my distribution center Fav-Five, it's time to think about your own. I'll leave you with one more thought:

In a rising tide, no one notices the rocks on the bottom of the river. But when the water recedes and the rocks begin tearing up the bottom of the boat, everyone wants to know how those rocks got there. By then, it's too late.

The water is definitely receding—are there rocks under your boat?

Rene' Jones is the founder of Total Logistics Solutions, Inc. (www.logisticsociety.com) which as recently named, "One of the top 100 Supply Chain and Logistics Providers for 2007". Rene' is the author of the acclaimed book, "This Place Sucks (What your warehouse employees think about your company and how to change their perceptions!)". He can be reached at info@logisticsociety.com or www.logisticsociety.com

About the Author....



Rene' Jones is the Founder of Total Logistics Solutions, Inc. A Warehouse Consulting organization headquartered in Burbank, Ca. Rene' is the author of several books including, "This Place Sucks – What your warehouse

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employees think about your company and how to change their perceptions!" Rene's is considered one of the most dynamic and inspirational speakers in the supply chain industry. Recently TLS was named one of the, "Top 100 Supply Chain and Logistics Providers" in the world.

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