

Navigating Supply Chain Success: **The Inventory Metrics that Matter**

A Cloud Inventory™ eBOOK



How kpis drive **meaningful business outcomes**

Supply chain success goes beyond financials. The journey from quote to cash involves the shaping and refining of hundreds, if not thousands, of intricate processes. Many of which lack the visibility and operational control required to troubleshoot. And at the core of your supply chain is your inventory, the force fueling your operations that so many companies reportedly lose visibility into almost as soon as it comes in their possession.

In this guide, we explore the diverse inventory metrics that our supply chain history has shown us can be critical for benchmarking success – from the warehouse to the production line. Strategic alignment of these metrics not only measures your progress, but also frees up cash frequently left on the table. And finally, we will cover how you can implement these key performance indicators for a more dynamic, adaptable supply chain.

Focusing on meaningful metrics becomes a **pathway to improving**:



Optimization

Inventory-centric KPIs are a blueprint for resource optimization. Uncover areas in need of optimization across your supply chain and introduce automation and data-informed resource allocation.



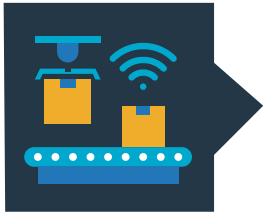
Compliance

Improve compliance by accurately reporting on inventory levels and meeting industry, customer, and regulatory demands such as lots and serials tracking or unique labeling requirements.



Revenue Generation

Address inefficiencies across your production, field, and warehousing processes for improved order accuracy and increased order volume. Delighting your customers leads to repeat business.



Productivity

Leverage metrics to find and eliminate the non-value add steps throughout every process. Synchronize the day-to-day activities on your production line, out in the field, or in your warehouse for maximum output.

2 types of metrics

Operational excellence:

Refers to the efficiency and general “lean-ness” of day-to-day activities and resource utilization. These types of metrics help identify areas where lagging occurs and suggest where further process automation could be implemented.

Operational cost:

Refers to areas which result in organizational expense. These metrics help identify areas where cost savings could likely be achieved.



Strategic metrics for **strategic supply chains**

Operational excellence

Inventory Accuracy



Maximize the percentage of inventory recorded in the books that matches the actual count of inventory. This is a shared metric between operations and finance to indicate accurate shared data.

Inventory Location Accuracy



Maximize the percentage of items whose physical count and location match the system's count and location. This indicator highlights data entry errors or inefficiencies.

Inventory turnover



Maximize the number of times that inventory cycles (or turns over) per measurement period. This could be months, quarters, or years and is indicative of cash conversion.

Strategic metrics for **strategic supply chains**

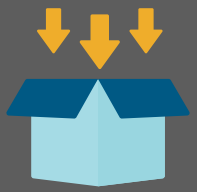
Operational excellence (cont.)

Stockouts in period



Minimize the number of times where demand cannot be met due to the absence of required inventory. This metric is an indicative measurement of inventory forecasting.

% of correctly picked line items



Maximize the total percentage of items in an order that are picked accurately. This metric captures all units of measure and should be calculated individually by warehouse.

% of Inventory items incorrectly located



Minimize the percentage of inventory items and materials that are incorrectly located. This metric attempts to capture putaway and traceability issues.

Operational excellence (cont.)

% of stock available at customers first request



Maximize the percentage of stock on-hand when a new customer order is received. This metric indicates accurate inventory forecasting.

Average age of inventory



Minimize average age of each product in stock. This can be captured in days, months, or years depending on industry standard and will indicate inventory turnover.

Average dock-to-stock time



Minimize the average time an inventory item takes to be put away upon receipt. This metric uncovers inefficiencies or unnecessary staging areas throughout inbound processes.

Operational cost

Gross Margin Return on Inventory Investment

Maximize Gross Margin (GM) Return on Inventory Investment (ROII). This metric multiplies 2 key variables:

GM ROII = Inventory Turns* x Gross Margin %

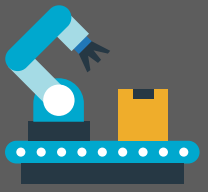
**Inventory Turns = Sales / Average Inventory*

Inactive Stock



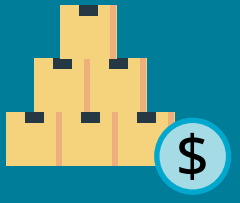
Minimize the products with stock (in units or dollars), and without movement-sales in a given period. This metrics is useful to define continuity of a specific product-size (SKU), or promotion campaigns. In particular, for companies with a big number of SKUs.

Inventory Age (Value Weighted)



Minimize the dollar value weighted average time in days that goods are held in stock. This indicates the cost of having inventory that sits (unturned) in your warehouse or other storage.

Value of obsolete stock



Minimize the value of obsolete stock, where inventory items have been replaced by an alternative, but the prior version may still be usable (or sellable) until exhausted.



Ready, set, improve: How to leverage **composable solutions for better results**

Every metric is more than just a number. It represents a financial impact. We have worked with many companies that see improvements to these metrics free up millions of dollars in reduced inventory investment.

The key to improving upon your inventory metrics is to start with foundational visibility into accurate inventory data – where is it, what state is it in, and how much of it do you actually have?

Data Accuracy and Visibility

Track every movement and use of your inventory and materials whether on the production line, in the warehouse, or out in the field. Mobile processes bring the additional granularity required to access and understand information about your inventory. Leverage integration capabilities to work with smart technologies like pick-to-light, caravans, or carousels.

From the data foundation, additional efficiencies and cost savings are born.

Process Flexibility

Gain process controls to address inefficiencies across your operations. Leverage the best standardized solutions for your business, while emphasizing the ability to mold those solutions to you. This allows for a sophisticated starting point from which you can innovate to support your unique way of doing things. Add and create new data properties, workflows, advanced business rules, and modules.

99.9% inventory accuracy

40% increased pick rate

40% increased productivity

48% reduction in expedited shipping

20% reduction in dock to stock time





A little **about us**

At Cloud Inventory, we create intelligent, mobile-first inventory management solutions that help companies gain increased productivity, inventory optimization, compliance adherence, and revenue generation. The customers we work with achieve an average inventory accuracy of 99% thanks to our mobile-first, enterprise-grade platform that seamlessly integrates with any ERP infrastructure.

Want to find out if Cloud Inventory could have the right mobile solution for you? Have a conversation with us to learn how you can level up your warehouse today. [Schedule a call]

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