Acumatica
The Cloud ERP

Accordant

Distribution Metrics That Really Matter

HOW TO DEVELOP ACTIONABLE DISTRIBUTION AND BUSINESS KPIS FOR OPTIMAL INVENTORY, AGILE OPERATIONS, AND INCREASED SALES

A recent National Association of Wholesaler-Distributors article points out that distributors average four percent net profit. The article further states that distributors lose money on forty percent of invoice line items sold.[1] Margins in commoditized industries, increased pressure from Amazon, manufacturers with direct-to-consumer (D2C) sales models, and other factors often push margins down even further for some distributors.

So, how are wholesalers supposed to add value while fending off larger competitors, growing profits, and managing daily challenges? Metrics help. Metrics provide a clear picture and a single source of truth of what is happening in every corner of the business. A comprehensive business application eliminates data silos providing centralized, accurate, and insightful data to keep everyone on the same page. Used correctly, key performance indicators help distribution executives to outmaneuver competitors, build customer trust, and maintain employee loyalty to take their businesses to the next level.

While most distributors use metrics to drive daily decisions, improve quality, and guide operational excellence, many have yet to harness metrics to transform their organizations. They struggle to make sense of the information due to data issues, lack of strategic vision, missing benchmarks, and a focus on lagging indicators. Further, departmental metrics do not always align with corporate goals.

This ebook explains the importance of tracking key performance indicators, diverse metric types, and common mistakes made by wholesale distribution executives. Discover the most important metrics to monitor for continuous improvement and align goals for actionable metrics to transform your entire organization.

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[1] Source: NAW: Optimize Pricing and Improve Profitability by David Bauders, 2021

How Metrics Improve Distribution Operations

Metrics are everywhere in distribution, from accounting to sales and purchasing to warehouse operations. Monitoring data helps distributors boost sales, improve fill rates, reduce costs, fend off competitors, and optimize inventory levels and warehouse operations. However, Forrester's Business Technographics Survey shows that just 17 percent of supply chain professionals and 22 percent of logistics and distribution professionals are using or plan to use big data analytics for planning.[2] Below are seven benefits of metrics for distribution businesses.

"With Acumatica, having access to information was a game changer for us. Having that level of information meant we could drill down to uncover issues and find a resolution . . . Today, different teams in the business have custom dashboards pertinent to doing their jobs. The dashboards show cash flow levels, profitability by division, and by customer. This level of information is unprecedented for our company."

– CLYDE ATTARD, SALES DIVISIONAL MANAGER, P CUTAJAR & CO.

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EFFICIENCY

Order entry, inventory management, and warehouse activity efficiency are critical for distributors. It is easy for distributors to capture efficiency benchmarks for receiving, put-away, picking, and order fulfillment activities. Once established, management monitors efficiency changes over time. These metrics enable them to understand if they are improving or spot problems early before impacting profits and customer satisfaction.

COMPETITIVENESS

Metrics enable distributors to monitor customer loyalty, total customer value, market share, and market growth for strategic business decisions. Understand your weaknesses, capitalize on market opportunities, and fortify your strengths to fend off low-cost, offshore competitors or direct-to-consumer (D2C) manufacturers.

ALIGNMENT

Distributors must align departmental metrics with topline corporate initiatives. For example, high inventory levels increase carrying costs and write-offs due to product obsolescence. Consequently, expanding inventory to improve order fill rates does not align with corporate goals to reduce costs and improve profits.

PROFITABILITY

The only way to increase profits is to sell more, reduce costs, or increase prices. Metrics help distributors win business and reduce costs. Motivate warehouse staff by posting real-time metrics on a big screen in the warehouse. Monitor the correct information to optimize pricing based on value, demand, and competition.

REDUCED RISK

KPIs help predict and negate risk associated with quality issues, dead stock, and inefficient processes. ABC classification ranks item relevance assisting with investment and warehouse planning. Establish KPIs to monitor risk scenarios proactively.

DECISION-MAKING

Metrics are essential for strategic planning, such as optimizing safety stock levels, determining where to invest capital, expansion into new markets, product retirement, and new product launches.

OTHER BENEFITS

Other metric benefits include improved employee satisfaction, bad debt reduction, increased inventory turns, lower carrying costs, and happier customers.

[2] Source: Forrester Business Technographics Survey 2017

Avoid These Common Metrics Mistakes

Inaccurate, incomplete, and untimely data makes it impossible to establish meaningful metrics. Further, distributors often focus too much on lagging indicators rather than proactively monitoring leading indicators before problems erupt. Finally, too many companies focus on internal issues without comparing themselves against industry peers.

BAD DATA

Relying on metrics is dependent on your ability to collect accurate, complete, and timely data. Inaccurate and delayed information results in poor choices, unhappy customers, and missed business opportunities.

LACK OF STRATEGIC ALIGNMENT

What is your goal? This is a crucial question to answer before you establish KPIs. For example, if your goal is to gain market share, then investing in marketing and sales with reduced margins may not be a bad idea. Conversely, if your goal is to increase stakeholder value, you should decrease costs and increase sales margins. Align metrics to measure strategic goals.

LAGGING VS. LEADING INDICATORS

Lagging indicators identify what has already happened. Therefore, distributors need to use a mix of both lagging and leading indicators to monitor metrics to identify problems before they happen.

MISSING PEER BENCHMARKS

Many companies think they are great at what they do, and others chase their competitors' every move on the assumption that they do things better. Therefore, it is essential to benchmark performance against industry peers whenever possible. Look for associations and independent consultants to identify industry-established benchmarks for best-in-class performance.

"From sales to operations, from admin to C-level executives, Acumatica allows us to have insight into data to make good decisions to grow our business in a powerful way."

– BRYAN PAPÉ, FOUNDER AND CEO, MiiR

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Metric Types

Find out what happened using descriptive analytics. Then, expand into diagnostic analytics to determine why it happened with predictive analytics to predict when it might happen again. Technology created a fifth metric—cognitive analytics—where artificial intelligence with machine learning mitigates issues without human intervention.

DESCRIPTIVE

Descriptive analytics is commonly used for lagging indicators. This is because they help understand what happened. However, descriptive analytics provide a foundation for other types of metrics.

DIAGNOSTIC

Diagnostic metrics help distributors to understand why something happened. They are often based on descriptive analytics collected over time with machine learning and artificial intelligence to spot anomalies.

PREDICTIVE

Predictive KPIs use descriptive and diagnostic metrics to identify the likelihood of future performance. Examples include forecasts for equipment failure or customer bankruptcy.

PRESCRIPTIVE

Prescriptive analytics combine descriptive, diagnostic, and predictive metrics to suggest how to prevent issues from occurring before they happen. They often rely on mathematical modeling and business rules.

Strategic Distribution Metrics

There are thousands of metrics to drive distribution efficiency. But what are the most important leading indicators and lagging metrics that executives should consider? Below are key performance indicators that best-in-class companies use to grow strategically.

"I can create a Generic Inquiry and manipulate the view to get to the data that I want to see. With Acumatica, the sky's the limit. Whatever we want to see, however we want to see it, we're able to create a simple inquiry to make that happen."

– STEVE SLAUGHTER, PRESIDENT AND CEO
FREDERICK BLOCK, BRICK & STONE

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FINANCIAL

Revenue and Profit: Revenue is a lagging indicator benchmarked against sales projections and adjusted for seasonality and promotions. These metrics support topline KPIs such as operating cash flow, profit and loss, and working capital.

Costs: Costs should be categorized and analyzed carefully. Cost categories include inventory purchase costs, labor, shipping and transportation, packaging, warehouse and operations overhead, and returns.

Cash Flow: Cash flow is vital for distributors who often purchase inventory months before actual customer demand. Operating Cash Flow metrics rely on accurate net income calculations, non-cash expenses, working capital, and receivable collections.

SALES AND MARKETING

Quotes: Your sales pipeline is a leading indicator of future revenue and product demand. Companies with low quote conversion or reduced quote volume will see revenue drop and decreased demand in future periods.

Marketing Leads: Distribution sales take time. It is vital to maintain and grow a pipeline of leads through various marketing activities. Measure leading indicators such as lead volume, marketing activities, and conversion rates for a clear picture of future sales.

Customer Metrics: Monitor total customer lifetime value, retention, customer acquisition costs, customer satisfaction or net promoter score (NPS), and growth in customer revenue and number of accounts.

INVENTORY AND WAREHOUSE

Procurement: Suppliers are crucial to your success. Establish topline metrics to evaluate supplier performance and purchase cycle times.

Inventory: Inventory is an asset, but it is a considerable capital investment that ties up working capital with dead stock risk. Proactively monitor turnover rates to understand item velocity, associated carrying costs, and gross margin return on investment (GMROI) to identify inventory sales profit after costs.

Warehouse: Efficient warehouse processes are vital for profitable distributors. Monitor order cycle times, fill rates, overall order fulfillment efficiency, accuracy, return rates, and cycle times to improve operations.

OPERATIONS

Staffing: Staff availability and efficiency are crucial for managing daily operations. Monitor attendance, performance, and employee utilization.

Operating Margin: Also called Return on Sales (ROS), operating margins measure profits after paying variable costs before interest or tax. They are a vital metric to measure topline operational performance.

Quote-to-Cash Cycle: Quote-to-cash is the time from customer quote to cash receipt. This topline metric reflects efficient order cycles, customer satisfaction, and receivable collection business processes.

Align Strategic Corporate Goals with Departmental Metrics

Departmental KPIs must align with strategic corporate goals. First, establish strategic plans and topline metrics. Next, determine which departmental metrics drive the corporate performance you defined. Finally, discontinue metrics that do not support your corporate goals and continually look for new metrics to drive sustainable growth and improvements throughout your operations.

"You can change your reports, so they fit your company, which was a big thing for us. It wasn't like we had to change for Acumatica."

– PAT MOBILIO, OWNER, NEW ENGLAND TILE

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PROCUREMENT

- Vendor Compliance / Quality Rating
- Vendor Lead Times
- Purchases In Budget and Time
- Stock-Out Rate
- Emergency Rush Order Count and Cost
- Demand Forecast Accuracy
- Average Purchase Value
- Vendor Price / PO Anomalies
- Gross Margin Return on Investment
- ABC Classification / Rank
- Inventory Turnover Rate

WAREHOUSE

- Perfect Order Rate / On-Time Shipping Ratio
- Dock to Stock Efficiency / Accuracy / Cycle Time
- Picking Efficiency / Accuracy / Cycle Time
- Packing Efficiency / Accuracy / Cycle Time
- Shipping Efficiency / Accuracy / Cycle Time
- Receipt / Put-Away Cycle Time
- Space Utilization
- Customer/Vendor Returns/Exchanges by Reason
- Shipping / Transportation Costs
- Labor Utilization / Labor Costs

SALES

- Quote Volume
- Quote Win Rate
- Outstanding Quotes
- Quote Aging
- Gross and Net Margin
- Days Sales Outstanding
- Discount Percent and Total Cost
- Sales Growth
- Sales To Date
- Sales Pipeline by Stage Against Target
- Average Deal Size
- Quote to Cash Cycle Time
- Lost Sales by Reason
- Opportunity Win Rate
- Customer Acquisition Cost
- Customer Acquisition Time to Payback
- Sales Analysis (by Rep/Region/Product Line)
- Customer Satisfaction – Net Promoter Score
- Lost Sales with Reason Codes
- Quota Attainment by Rep
- Sales Activities by Rep

Discover How Wholesale Distributors Grow with Acumatica

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"If we can offer the exact same product, at the exact same quality and price point, it comes down to personal preferences and choices. But one of the main points is how competitive you are in your pricing."

– TAYLAN SEVIMLI, BUSINESS DEVELOPMENT MANAGER TAYSE RUGS

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INVENTORY

- Days Sales of Inventory
- Back Order Rate
- Stock-Out Rate
- Back Orders as a Percent of Total Sales
- Inventory Accuracy (Physical Inventory)
- Inventory Count and Value by ABC Rank
- Inventory Valuation
- Inventory Turns by Item / Item Class
- Carrying Costs by Item / Item Class
- Order Fill Rate
- Physical Inventory Cycle Count Time

MARKETING

- Cost Per Click (CPC)
- Website Traffic / Bounce Rates
- Website Conversion Rates
- Cost Per Lead (CPL)
- Marketing Qualified Leads (MQL)
- Lead Volume and Conversion Rate
- Aged Leads Report
- Aged Opportunities Report
- Sales Accepted Leads (SAL)
- Sales Qualified Leads (SQL)
- Return on Advertising Spend
- Customer Engagement
- Email Delivery, Open, and Response Rates

QUALITY CONTROL

- Cost of Poor Quality
- Customer Quality Complaints
- Quality Returns
- Corrective Actions
- Non-Conformance
- Vendor Quality
- Quality Audits
- Time to Resolution

FINANCIAL

- Actual versus Budget
- Days Sales Outstanding
- Aged Accounts Receivable
- Bad Debt Write-Offs
- Credit and Collections Activities
- Aged Accounts Payable
- Vendor Discount Value
- Gross Profit
- Net Profit Margin
- Working Capital
- Current Liquidity Ratio
- Return on Assets
- Debt to Equity Ratios
- Profit and Loss (also by Product / Product Line)
- Shareholder Equity
- Revenue Per Employee

GROW REVENUE WITH SERVICES

Metrics help distributors to identify areas where service offerings may open the door to new revenue streams. For example, high customer returns for a specific product may indicate customer needs for training or product installation and configuration. Make sure that your ERP software includes native service management, customer support, and project accounting applications to manage service billing, service or project details, support cases, and technician schedules.

Technology for Improved Metrics Management

It is easy to create distribution metrics. The challenge is ensuring data integrity and providing timely information in a meaningful way to stakeholders. Too often, companies rely on error-prone data collection and spreadsheet analysis delaying information. Instead, best-in-class distributors rely on holistic ERP applications with embedded business intelligence to analyze data from multiple sources with automated notifications to manage the business by exception. Modern cloud ERP applications like Acumatica provide a rock-solid data foundation with configurable inquiries, actionable reports, personalized dashboards, and insightful data analysis to transform business operations. In addition, custom workflows connect cross-departmental workstreams with collaboration tools.

"Being able to access data and have the various departments working together in one system is a real benefit. If the warehouse has low inventory for an item, it is immediately exposed to purchasing to place the order for more. We now have real-time visibility to pertinent data."

– BEN ROTHE, GM AND CEO, PREMIER 1 SUPPLIES

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DATA COLLECTION

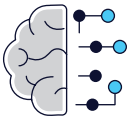
Configure and automate data collection and imports from external apps for holistic, accurate, and timely analysis. Modern business applications like Acumatica provide a framework to connect carousels, scanning systems, shipping applications, machines, and software to automate data collection and data accuracy.

Optical character recognition captures data from scanned documents. Implement barcodes to streamline picking, packing, transfers, and put-away activities. Online customer portals and automated vendor bidding facilitate customer and vendor collaboration with improved data collection and transparency.

Transform your business with a future-proof ERP application built with the latest technologies such as embedded warehouse management system (WMS) to expedite data collection and increase throughput.

Automate time entry with mobile time entry with supervisor approvals on any device, anytime, anywhere.

ARTIFICIAL INTELLIGENCE



Artificial intelligence with machine learning makes it easier than ever to improve data accuracy for metrics. Modern ERP systems like Acumatica include embedded artificial intelligence with machine learning.

Artificial intelligence streamlines accounts payable, expense matching, bank reconciliation, and other business processes. Acumatica help files are powered by machine learning to display search results based on previous user interactions. Acumatica uses machine learning to capture business card contacts through mobile image recognition.

Machine learning enables the system to improve data accuracy. For example, Acumatica learns to recognize expenses from business supply companies as office supplies that are coded automatically to the corresponding general ledger account.

Artificial intelligence and machine learning will soon be leveraged in operational scenarios. For example, Acumatica is exploring opportunities to use AI to spot pricing anomalies and suspicious general ledger transactions for user review.

"We use the dashboard to show items like shipments per day, dollar value per day, and on the sales side, we have monthly sales totals, totals by salesperson, invoice amount by order. For shippers—who's doing the most volume there, and what our top selling items are. In addition, we've broken out our brand partners in Asia so we can see how brand partners perform against others."

– CHRIS SAKAMOTO, CFO, BLUEFIN COLLECTIBLES

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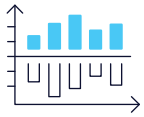
DASHBOARDS

ERP Dashboards conveniently displays essential data to spot trends and react to real-time issues that impact sales, profits, customer satisfaction, and employees. Manage your business by exception with role-based dashboards. Tailor dashboards to empower department managers with the information they need to act with real-time, accurate, and insightful information. Establish key performance indicators to monitor results and activities in real-time with an eye on long-term strategic plans. Every Acumatica dashboard is mobile-ready and compatible with any web-enabled device. Manage complex data through live dashboard widgets with flexible visualizations, including:

- Custom inquiries
- Charts and Gauges (line, column, bar, etc.)
- Data tables
- Data from external sources
- Power BI tiles
- Key Performance Indicators
- Shortcuts to forms, reports, and dashboards

POWER BI ANALYTICS



Microsoft Power BI connects directly to Acumatica for advanced business intelligence. Aggregate data from multiple sources, extract actionable information for strategic decision-making and present it visually to stakeholders.

Aggregating data from disparate systems provides a holistic picture. For example, combine data from Acumatica with external CRM data to view your sales pipeline alongside customer sales history. You could also view shipment information from third-party carrier systems inside Acumatica alongside sales order and inventory data. Finally, use Acumatica generic inquiries to expose ERP data via an Open Data Interface (OData) for visibility by Power BI.

REPORTS AND INQUIRIES

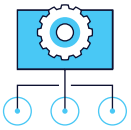
Reporting is historically challenging in most ERP applications. Users need to understand the database schema and underlying table relationships to build meaningful reports and inquiries. This is too complex for many small businesses that must pay partners to customize reports and inquiries.

Modern ERP systems like Acumatica provide hundreds of standard reports and inquiries. The Acumatica Report Designer empowers less technical users to customize reports or design new reports without coding experience. Further, the Generic Inquiry writer accesses Acumatica data, including custom field information. Generic Inquiry data is easily published, exported to Excel, or formatted for OData to expose it to business intelligence tools like Microsoft Power BI.

Acumatica supports multi-dimensional reporting using subaccounts with segmented keys. Break down information into smaller facets to view items by price, color, size, store location, or dimensions that you select. With Reporting and Generic Inquiries, you can:

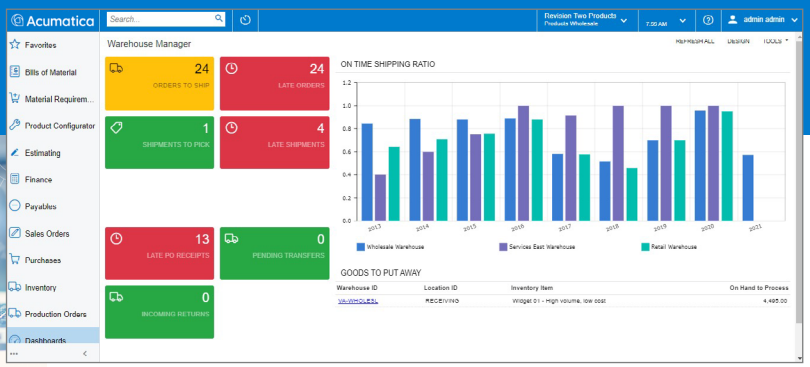
- Schedule reports to run as needed
- Generate signed PDF documents
- Customize reports with your branding
- Create data views with filters and formatting

NOTIFICATIONS WORKFLOW

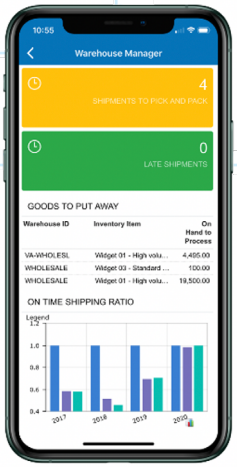


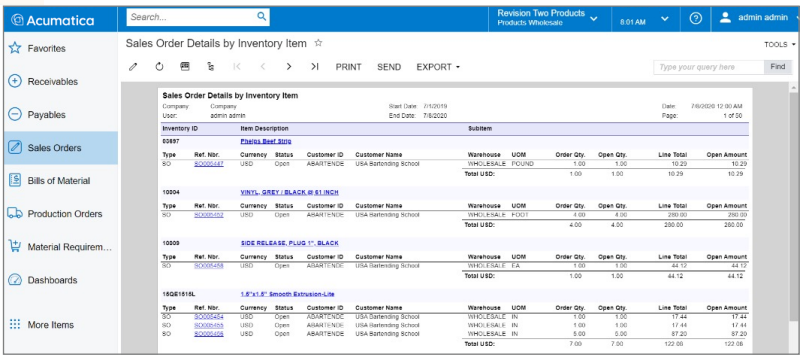
Surface issues in real-time with Business Events and Generic Inquiries. Notifications are sent via email or text with details and hyperlinks to take action. For example, trigger Acumatica workflows to send email alerts to a customer with tracking information when a sales order is shipped. Collaborate with vendors with automated low stock alerts by location. Alert warehouse staff when back ordered parts are received and available for shipping.

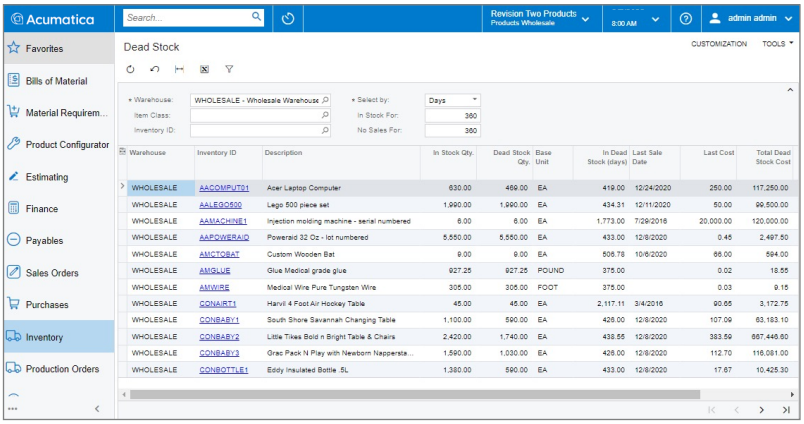
Acumatica Analytic Applications



- Role Based Dashboards
- Interactive Reports
- Configurable Generic Inquiries
- Native Mobile Apps







Discover a Better Way to Manage Metrics with a Comprehensive ERP Application Built on a Future-Proof Cloud Platform

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Execute on Actionable Business Insights

There is no point in defining metrics if you take no action on the results. Therefore, continuously monitor and improve metrics with documented procedures for related activities. Train employees how to use metrics, respond with corrective actions, and leverage projects and CRM tasks to coordinate activities.

"When global supply chain problems caused prices on every widget that we sell to flux, we had to be nimble . . . There would have been no way to have the control and flexibility we have today with customer pricing and an accurate view of our costs without Acumatica . . . We've been able to increase our margins because we have more control and visibility . . . "

– KEITH FORD, PRESIDENT, EAGLE FENCE DISTRIBUTING

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ESTABLISH A TEAM

Create a metrics team from business leaders and analytical colleagues from each business unit to collaborate on metrics supporting your strategic goals.

GATHER REQUIREMENTS

Document metric calculations and formulas. Assign stakeholders to manage, monitor, and execute correction actions. Business needs change over time. Consequently, KPIs established today should be reviewed as they may become irrelevant due to market expansion, product portfolio changes, or shifts in go-to-market strategies. Modern ERP applications like Acumatica include wikis with sales and operating procedures (S&OP), KPIs, tasks, and attachments.

BUSINESS PROCESSES

Acumatica's Visual Workflow Engine enables power users to see and modify states, actions, transitions, valid values, and enabled fields to control workflow without coding. Leverage ERP workflows to manage corrective actions and trigger business events to create and assign tasks for users in the system.

TRAINING

Train employees how to use metrics and teach them how to manage metrics effectively. Embedded wikis are an excellent platform for training materials, including documentation, videos, and attachments. In addition, wikis support version control providing a cohesive system to view current and historic training materials and changes over time. Further, Acumatica's native CRM includes tasks with assignments and due dates to manage employee tasks related to training activities.

CORRECTIVE ACTIONS

Corrective actions are essential for metrics management. Document what steps to take when specific situations occur. Acumatica's Wikis, CRM tasks, Business Events, and Visual Workflow Engine provide a flexible platform to create and manage activities based on live data in the ERP system. For example, trigger an email to the purchasing manager when low stock is detected in a warehouse and create a task automatically for the sales rep to call the customer. Also, slow sales metrics may notify marketing to implement new campaigns to shore up the pipeline.

PROJECT MANAGEMENT

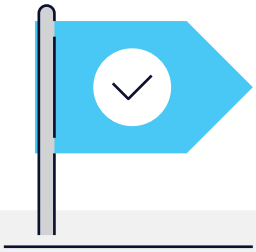
ERP applications like Acumatica provide native project management applications to streamline the implementation of new metric initiatives and related tasks. Project accounting empowers management to coordinate activities across teams with timelines, mobile time entry, and collaboration with external resources such as specialized business consultants or technology firms.

Distribution Metrics Made Easy with Acumatica

Metrics are essential for today's distributors to protect eroding margins, reduce costs, and fend off competitors. Know what is happening, predict what will happen, and manage your business by exception with role-based dashboards, actionable reports and inquires, flexible workflows, and robust business intelligence applications. Align departmental key performance indicators with topline corporate metrics. Look for leading indicators to circumvent future problems and leverage technology to collaborate across departments with employees or externally with customers and vendors.

Built on a future-proof cloud platform with native artificial intelligence and machine learning, Acumatica provides unmatched distribution depth with robust financials, native customer relationship management, service management, and powerful business intelligence applications. Boost sales, streamline order fulfillment, and improve profits with best-in-class inventory, procurement, requisition, sales, point of sale, and commerce applications. Stay one step ahead of the competition with matrix items, inventory allocations, embedded warehouse management, kitting, up-sell, cross-sell, and item substitutions.

Acumatica Cloud ERP provides the best business and industry management solution for transforming your distribution business to thrive in the new digital economy. Built on a future-proof platform for rapid integrations, scalability, and ease of use, Acumatica delivers unparalleled value to small and midmarket distributors.



"Acumatica allows my focus to be more on the business rather than wondering where I go to find the information I need. Knowledge is power and the quicker you can get to the knowledge, the better off you are."

– SCOTT MCCALLA
CHIEF STRATEGY OFFICER
INTERNATIONAL PIPE & SUPPLY

Acumatica
The Cloud ERP

Acumatica Cloud ERP is a comprehensive business management solution that was born in the cloud and built for more connected, collaborative ways of working. Designed explicitly to enable small and mid-market companies to thrive in today's digital economy, Acumatica's flexible solution, customer-friendly business practices, and industry-specific functionality help growing businesses adapt to fast-moving markets and take control of their future.

For more information on Acumatica, visit www.accordantco.com or call us at 973-887-8900.

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