

19 IMPORTANT WAREHOUSE METRICS AND KPIS

Your warehouse or fulfillment center can be the "canary in the coal mine," warning you when trends are changing or problems are developing in your business.. This is where having the right warehouse metrics and KPIs (Key Performance Indicators) comes in.



Carrying cost of inventory

This is the total cost of having items in inventory. The higher this total cost, the more your margin is eaten away.



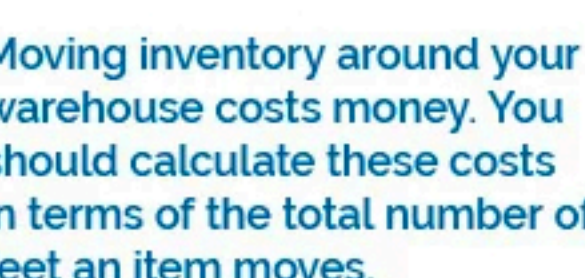
Rate of return(s)

Your customer service department need to record not just the number but also the reason for return.



Backorder rate

This is the rate at which incoming orders come for out-of-stock items. It usually indicates a failure to accurately forecast sales and plan ahead.



Order lead time

This is the total time it takes to fulfill an order, including picking, packing, and shipping.



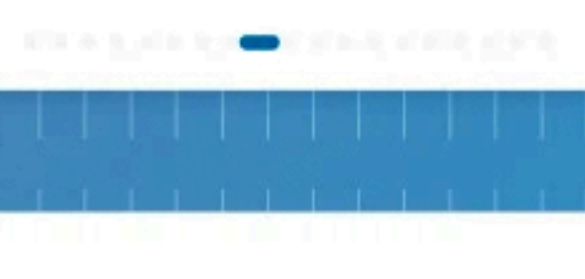
Transportation cost per package

Moving inventory around your warehouse costs money. You should calculate these costs in terms of the total number of feet an item moves.



Revenue/employee

Each employee will generate revenue through activities that keep the other KPIs where they need to be. That revenue should exceed the total amount that employee is paid (including benefits).



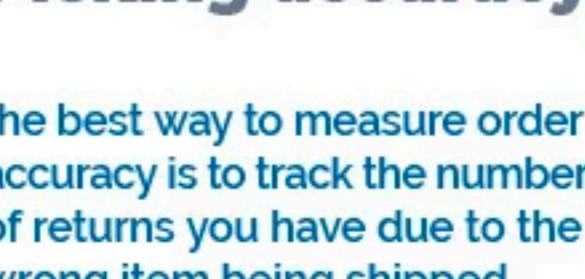
Order accuracy

Your order accuracy is the percentage of incorrect orders that are not flagged. If your percentage drops, you might need to upgrade your ordering system or consider switching vendors.



Order damage

Damaged goods should be noted the same way as inaccurate orders. If you're going over the acceptable level, you might need to discuss other carrier options with your vendor.



Receiving cycle time

This is the average time taken for received stock to be counted, booked, and prepared for storage.



Inventory turnover

This is the frequency with which you sell out your entire inventory over the course of time. The goal is to figure out which SKUs are moving slowly compared to the others.



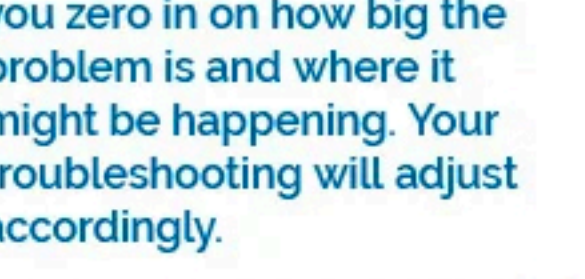
Sales-to-inventory ratio

This measure how much value is tied up in inventory vs. moving out the door. To do this, you divide the cost of goods sold by the average value of your inventory.



Total cost of storage

This measures the amount of money "leaking out" as your items sit on the shelf or pallet.



Picking accuracy

the best way to measure order accuracy is to track the number of returns you have due to the wrong item being shipped. Subtract these returns from the total orders to get the number of accurate orders picked.

Orders picked / hour (picking productivity)

Tracking orders picked per hour over time gives you a rough idea of how efficient your pickers are.

Order cycle times

This is the amount of time it takes to pick an order from the shelf and start the packing process. This gives another view into picking efficiency.

Cost per line item picked

This is the total cost of picking an item, including the cost of labor for picking and labeling.

Packing costs

Packing any order requires packaging, boxes, filler, inventory slips, ads, coupons, and other collateral. Add these to the overall labor cost of packing (and any assembly required) to get your full packing costs.

Percentage on-time full delivery

Percentage on-time full delivery is the percentage you get right (i.e., not late) over total number of orders delivered.

Average days late

Average days late helps you zero in on how big the problem is and where it might be happening. Your troubleshooting will adjust accordingly.

- General KPI
- Receiving KPI
- Storage KPI
- Picking KPI
- Packing and Shipping