

DC Benchmarking Roadmap

Step 2: Identify Key Processes to Assess

Decide how logistics can help meet medium- and long-term company goals (for next 2 to 5 years).

Be best in class in those areas – but don't ignore the others.

Step 1: Set Benchmarking Priorities

Benchmarking must be guided by your company's vision and strategic objectives.

3 Strategies:	Cost Leadership	Customer Focus	Unique Service Offering
Focus on:	Reducing costs.	Satisfying customer requirements; customers may be willing to pay slightly more.	Product or service not duplicated or equaled by others, so that customers are willing to pay higher prices.
Example:	Wal-mart	Target	Apple

And a fourth strategy:

Hybrid

Be all things to all potential customers. CAUTION! This strategy is hard to carry off successfully.

PHASE 2 MEASURE

Step 3: Collect Data

You need both operational and managerial data. The biggest challenge in successful benchmarking is getting accurate, comparable data, whether it's benchmarking data from other companies or your company's own measurements.

Example: A firm claims to ship complete, on-time orders 99.8% of the time, yet customers complain orders are frequently late. The reason for the discrepancy: The supplier didn't consider an "order" an "order" until it was complete. This meant hundreds of orders were not included in the performance metric.



Are comparisons equivalent?
Has the data been massaged?
Is the data measured in a way that makes sense?

Tip: To minimize "gaming" of the system, create a table that clearly states:

- your current measures.
- their definitions.
- how they're calculated.
- who collects the data.

Metrics	Definition	Calculation	Source of Data	Responsibility
Total order-cycle time	The average end-to-end time between order placement and order receipt by the customer.	Excluding nonworking days: Sum of (Time order received by customer - time order placed)/Total number of orders shipped		

PHASE 1 PLAN

The results of our 12th annual DC metrics survey, conducted with the Warehousing Education and Research Council, TSquared Logistics, and Georgia College and State University, are now available at www.werc.org/metrics. The survey report includes benchmarking data from more than 450 companies. Wondering where that data can take you? Here's a roadmap.

Step 4: Research and Compare Best-in-Class Performance

Numbers only reveal so much. Dig deeper to find out how the DCs you're measuring yourself against achieve high levels of service. Measure against internal standards, too. There are no hard-and-fast rules on how to do this. WERC's Warehousing & Fulfillment Process Benchmark & Best Practices Guide can help. It identifies 8 warehouse processes and best practices for each. Practice, practice, practice to perfect the process.

Step 5: Identify Performance Gaps

Define the reasons for low performance.

- Use the measures that best support your priorities.
- Compare your performance to best-in-class companies.
- See where you fall in our benchmarking categories:
 - o Major Opportunity to Improve: Bottom 20%
 - o Disadvantage: 20-40th percentile
 - o Typical: 40-60th percentile
 - o Advantage: 60-80th percentile
 - o Best Practice: Top 20%

Where to start?

- Start with the areas where gaps between your company's rating and best-in-class performance are largest, then work your way down to medium and low gaps.
- Concentrate on what's strategically important to your organization.



PHASE 3 COMPARE

Step 6: Develop an Improvement Roadmap

Establish a target for each metric that needs improvement. Set priorities. Not all targets have to be best in class. Set the highest targets for the metrics that align with top company goals.

TIP: Targets should include:
Near-term goals (reasonably attainable).
Long-term goals (to mark improvement over time).

PHASE 4 ACT

Step 7: Close the Gaps, Improve and Refine Processes

Now you're ready to focus on closing performance gaps.

Need help with this step? Take a course on process improvement from WERC or a local college or university.

DON'T STOP NOW

Start all over from the top. Benchmarking is a continuous process.



To get a copy of our 2015 DC metrics survey, visit www.werc.org/metrics

Chart based on information from WERC's "Unleashing Best Practices in Your Warehouse: Warehouse Manager's Guide to Benchmarking," 2nd edition, ©2010 Supply Chain Visions and WERC. All rights reserved.