

## Key Performance Indicators – Procure materials and services

Nos.	Key Performance Indicators	Definition	Formula
1.	Supplier Effectiveness	This indicates the average value of business for each supplier. A lower figure either demonstrates a need for reducing suppliers or few suppliers are able to offer the service that meets the organisation's needs.	$(\text{Cost of Bought-in Materials and Services} / \text{Number of Suppliers Used for Delivery of Core Products and Services}) \times 1,000$
2.	Percentage of Supplies Delivered on Time (%)	This indicates the ability of the business's suppliers to deliver on time as a percentage of total purchases. A higher figure demonstrates use of reliable suppliers.	$(\text{Supplies Delivered on Time} / \text{Cost of Bought-in Materials and Services}) \times 100$
3.	Percentage of Sub Standard Supplies (%)	This indicates the ability of the business's suppliers to deliver quality goods as a percentage of total purchases. A lower figure demonstrates use of reliable suppliers	$(\text{Supplies which are Sub-Standard on Delivery} / \text{Cost of Bought-in Materials and Services}) \times 100$
4.	Supplier involvement	A measure which provides an indication of the strength of the supplier relationship. Involving suppliers in product and process development and utilising their knowledge can bring benefits to the organisation, the customer, and the supplier. Supplier involvement could be measured through a number of ways, in addition to the formulae offered an assessment of how closely the development team works with suppliers or average no. of hours of supplier contact in this process could be used.	Percentage of the customer's product development process in which the supplier is involved
5.	Supplier – Certification	A measure that monitors the % of certified suppliers. The certification standard is typically set or specified by the purchasing	No. of suppliers that are certified as a % of total no. of suppliers

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6.	Supplier - Lead time	A measure of supplier lead-time.	Time from placing an order to actual delivery from supplier.
7.	Plan or schedule stability - Supplier	Schedule stability measures the degree to which plans or schedules given to suppliers change before they are converted into orders. The measure reflects the accuracy with which the organisation can predict its future requirements.	% of plans or schedules given to suppliers that do not change
8.	Supplier - Delivery lead time	A measure of lead-time. Delivery lead time measures how quickly a supplier can deliver the required finished product or service to the organisation.	lapsed time from receipt of customer order to product or service delivery
9.	Cycle time - Cash to cash	Cash-to-cash cycle time is a supply chain management performance measure; when there are fewer partial shipments and fewer shipments with defects or other errors, customers pay faster, and accounts receivables are reduced. Note : with the reduction in inventory cash-to-cash cycle time is reduced even without an increase in payment terms from suppliers.	Cash-to-cash cycle time is the number of days between paying for raw materials and getting paid for product