



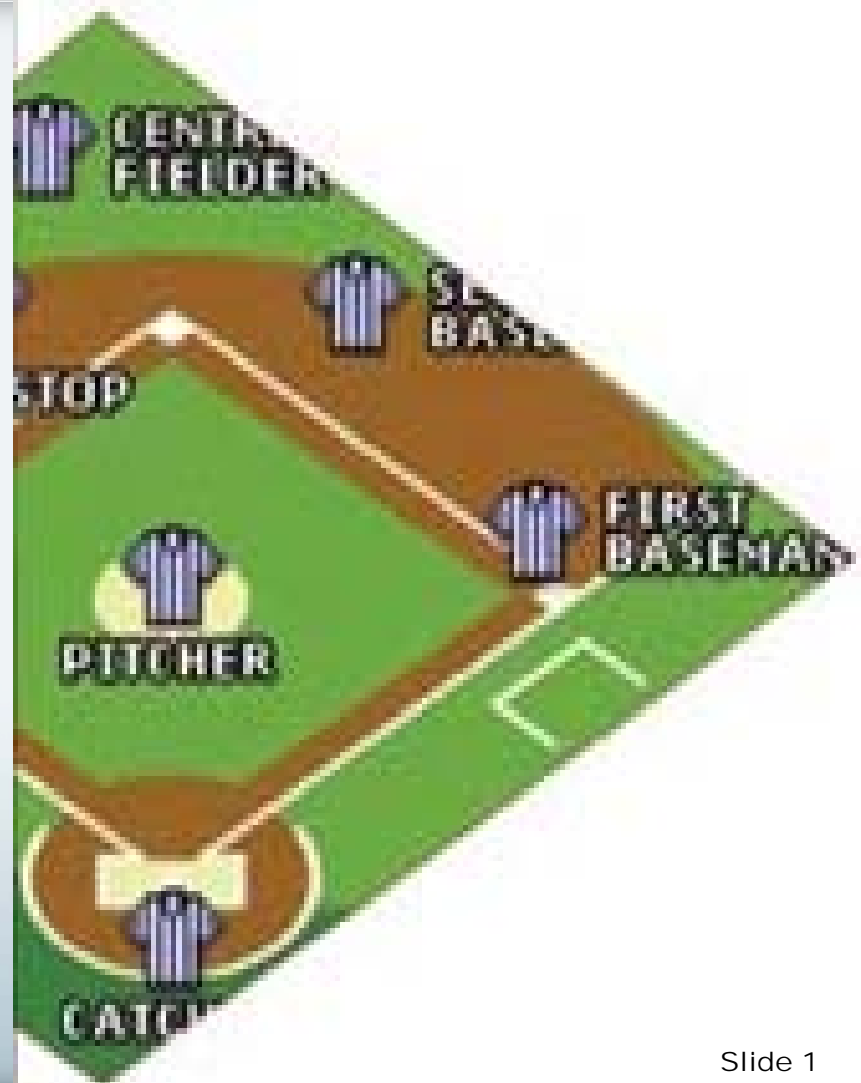
NATIONAL ASSOCIATION OF  
ELECTRICAL DISTRIBUTORS

SMART TOOLS FOR SMART DISTRIBUTION

## NAED Supply Chain Scorecard Task Force

# Putting the Supply Chain Scorecard in Play in *Your* Company

March 27, 2008



Slide 1



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# Today's Panelists

NAED Supply Chain Scorecard Task Force

❖ Donna Shamblin



❖ John Wilson



❖ Teressa Barnhill



Slide 2



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# Disclaimer

## NAED Supply Chain Scorecard Task Force

*This compilation is designed to facilitate a dialogue among individual distributors and the manufacturers that supply products to them for the purposes of making the supply chain evaluation process more efficient and reducing the costs for all parties involved. It is not intended to express any views regarding individual distributors' or manufacturers' business decisions. All distributors and manufacturers will continue to make their own independent decisions regarding all matters affecting competition. Information outside the scope of the designated categories (e.g., manufacturer pricing and payment terms, promotional allowances, etc.) has been omitted from this document. However, individual distributors are free to discuss these subjects in separate dealings with individual manufacturers.*



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# Out of Scope

NAED Supply Chain Scorecard Task Force

- ❖ Measures of...
  - ❖ Pricing & Payment Terms
  - ❖ Gross Margin & Profitability
  - ❖ Rebates & Promotional Allowances



Slide 4



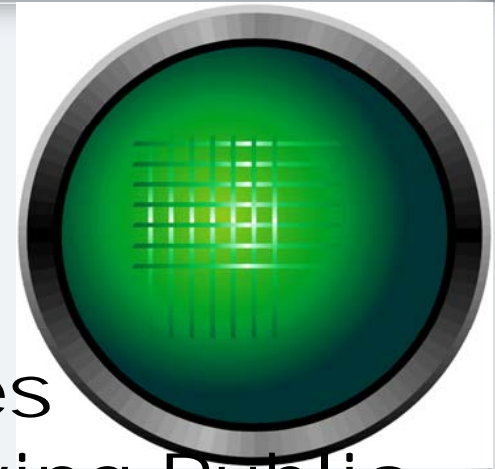
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# In Scope

NAED Supply Chain Scorecard Task Force

- ❖ Measures that...
  - ❖ Drive Process Efficiencies
  - ❖ Improve Performance
  - ❖ Reduce Costs for all Parties Involved, including the Buying Public



Slide 5



# Today's Agenda

## NAED Supply Chain Scorecard Task Force

### ❖ Overview of Tools Developed

- ❖ Recommended Industry Vocabulary
- ❖ Recommended Best Practices
- ❖ "Menu" of Measures
  - ❖ Distributors measure Manufacturers
  - ❖ Manufacturers measure Distributors

### ❖ Creating YOUR Scorecard

- ❖ Process Overview & Tips
- ❖ Suggested Measures If You're Just Getting Started
- ❖ How to Use Scorecard Measures to Drive Results

### ❖ "*Ask the Experts*" Q&A Session

### ❖ What You Can Do

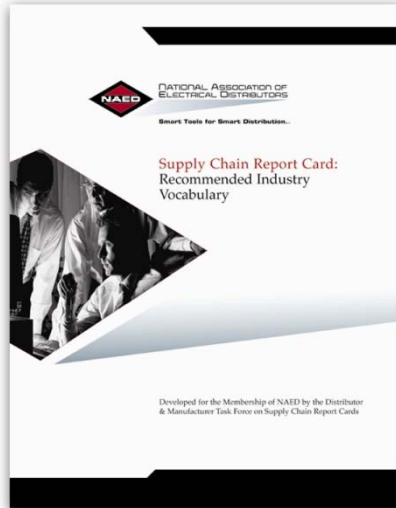


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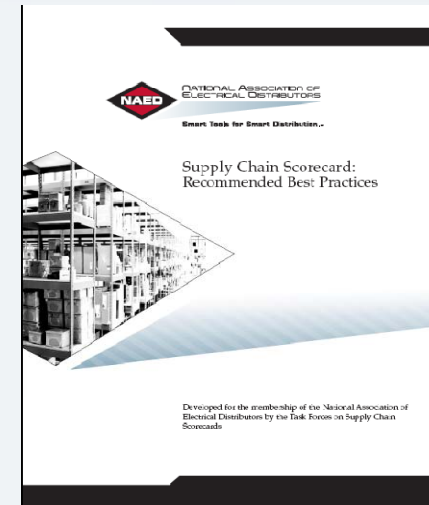
# Tools Developed

## NAED Supply Chain Scorecard Task Force



### Recommended Industry Vocabulary

Standard Definitions  
INDUSTRY-Wide



### Recommended Best Practices

Resolves on-going friction

*Business vs. Calendar Days*

*Order Date vs. Acceptance Date*

*Request Date vs. Acknowledged Date*

Slide 7



# Scorecards

## NAED Supply Chain Scorecard Task Force

### "Menu" of Measures

Distributor measures

Manufacturer

Manufacturer measures

Distributor

**Guide to NAED's Supply Chain Scorecard-Objective Measures**  
Distributors use this scorecard to measure actual manufacturer performance.

Electronic Purchase Order—Purchase Orders received via EDI, Flat File, XML, and/or Online entry directly into the recipient's business system.

Electronic Invoices—Invoices received via Electronic Data Interchange (EDI), Flat File, Vendor Managed Inventory (VMI), and/or downloaded from the vendor's secure website.

Lead Time—The time elapsed in calendar days between when an electronic order is issued or a manual order is accepted, to the receipt of material.

Initial Fill Rate—Stock line items received complete on first receipt as a percentage of stock line items ordered.

Average Number of Shipments per Order—The number of shipments required to complete an order.

Total Vendor—Distributor Cost of the material sold to customers on ship orders through VMI and stock.

Stock Sales—Distributor Cost of the material sold to customers through the warehouse.

Average Inventory—Average of the inventory while the cycle is running.

Overstock Inventory—The amount of inventory in excess of a specified number of days supply.

Stagnant Inventory—Stock items that have not had a sale during a specified time period.

Inventory Turnover (Definition from Performance Analysis Report, i.e. FIFO)—Cost of Goods Sold divided by Average Inventory.

Return of Authorized Goods Cycle Time—The number of calendar days between the receipt of authorization for return and the shipment of the items on the Return Goods Authorization (RGA).

Receipt of Credit for Return Cycle Time—The number of calendar days between shipment of the items on the Return Goods Authorization (RGA) and the receipt of the credit for the items returned.

Price Change Updates—The number of calendar days in advance of the effective date specific pricing updates are provided.

On-Time Delivery—The number of lines received complete from the manufacturer by the requested date based on normal/historical lead times or a registered delivery date divided by the total lines ordered.

Shipping Accuracy—The number of line items received 100% correctly divided by the total line items ordered.

Invoice Accuracy—The number of line items invoiced correctly divided by the total number of line items ordered.

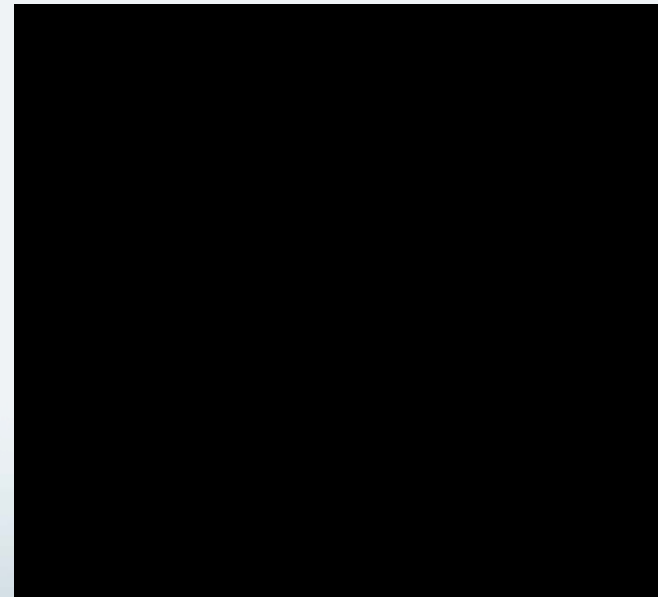
Direct Sales @ Distributor Cost—Distributor Cost of the material sold to end-customers on shipments direct from the manufacturer.

Special Pricing Authorization (Also known as SPA)—Stock Sales @ Distributor Cost subject to Special Pricing Authorizations (SPA) from this vendor divided by Total Stock Sales @ Distributor Cost from this vendor.

Change in Sales @ Distributor Cost—The percentage change in sales @ Distributor Cost over a specified time period.

Steps of this document: The completion of NAED's Supply Chain Scorecard-Objective Measures and the manufacturer's performance analysis report, i.e. Return Goods Authorization (RGA) and the receipt of the credit for the items returned. The receipt of the credit for the items returned is the final step in the process. At distribution and manufacturer's discretion, the manufacturer may choose to provide a copy of the manufacturer's performance analysis report, i.e. Return Goods Authorization (RGA) and the receipt of the credit for the items returned. The receipt of the credit for the items returned is the final step in the process. At distribution and manufacturer's discretion, the manufacturer may choose to provide a copy of the manufacturer's performance analysis report, i.e. Return Goods Authorization (RGA) and the receipt of the credit for the items returned.

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Updated 01.25.07

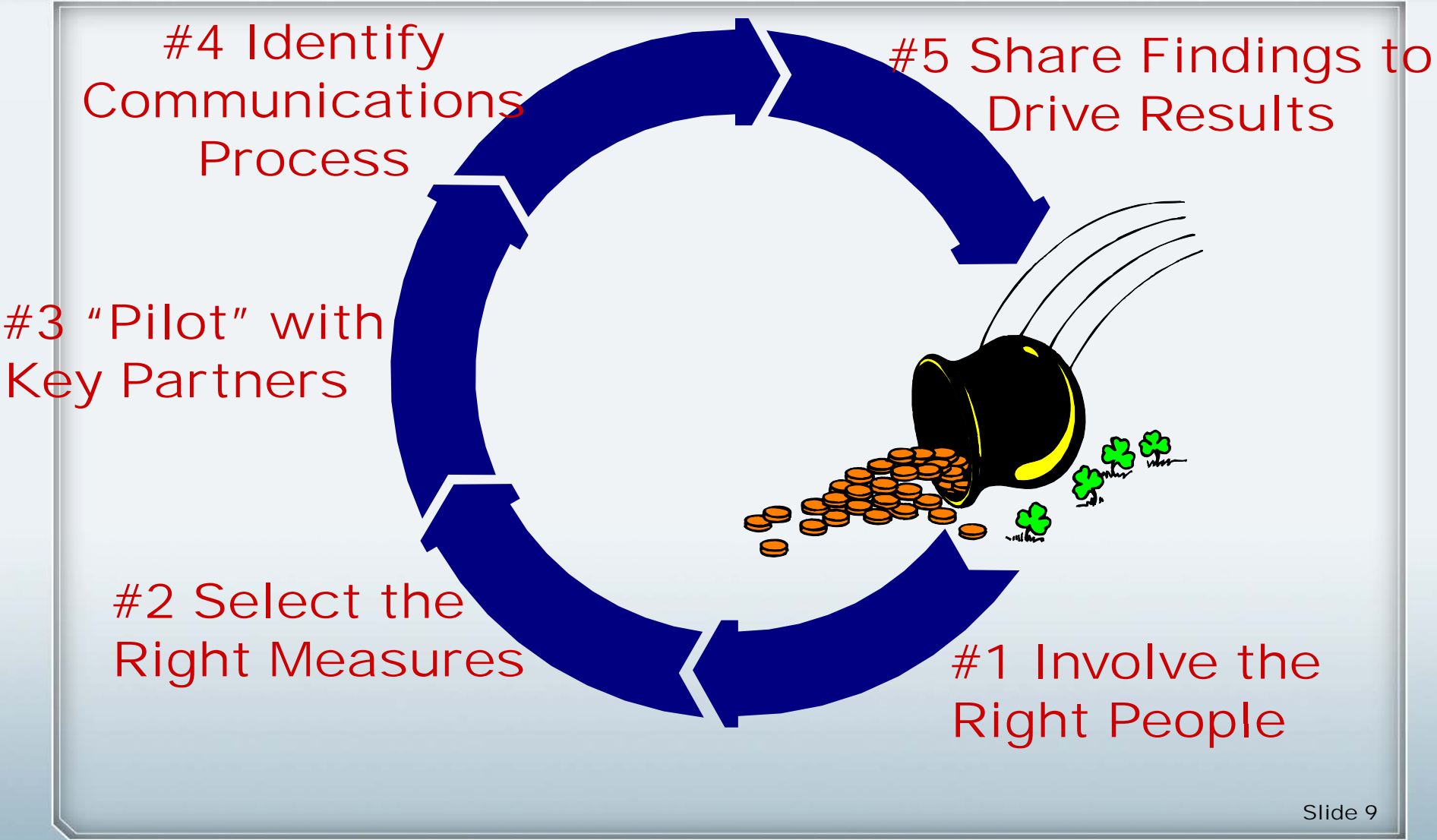


# To Customize for YOUR Business



# Process Overview

NAED Supply Chain Scorecard Task Force





# Creating Yours

## NAED Supply Chain Scorecard Task Force

### ☑ Step 1: Involve the Right People

- ❖ Executives
  - ❖ Customer Care
  - ❖ Operations
    - ❖ Purchasing & Logistics (*Distributor*)
    - ❖ Channel Organization (*Manufacturer*)
  - ❖ Finance
  - ❖ Sales & Marketing
  - ❖ Information Technology
- Measures DRIVE Results*



# Creating Yours

## NAED Supply Chain Scorecard Task Force

### ☑ Step 2: Select the Right Measures

❖ Determine What's Most Important to Measure in Your Company

❖ Strategically

❖ Measures for Internal Use

❖ Measures for External Use

❖ Measure @ Corporate, Region, or Branch Level?

*Measures DRIVE Results*



# Creating Yours

## NAED Supply Chain Scorecard Task Force

### ☑ Step 2: Select the Right Measures (continued)

- ❖ Select measures that are...
  - ❖ Simple to Understand
  - ❖ Meaningful Data Available
  - ❖ Data Easy to Obtain
- ❖ Use Recommended Industry Vocabulary Definitions

*Measures DRIVE Results*



# Moving Forward

## NAED Supply Chain Scorecard Task Force

### ☑ Step 3: "*Pilot*" Scorecard with a Few, Key Trading Partners

- ❖ Formulate Layout
- ❖ Establish Mutual Expectations
- ❖ Use Your Scorecard to---
  - ❖ Improve Relationships
  - ❖ Improve Performance
  - ❖ *Drive Results*



# Implementation

## NAED Supply Chain Scorecard Task Force

### ☑ Step 4: Identify Communications Process

- ❖ How to "*Deliver*" the Information
- ❖ Who is going to "*Deliver*" the Info
- ❖ Announcing the Scorecard
  - ❖ In Your Company
  - ❖ Introducing to Trading Partners

*More than a Report---*

*ONGOING Tool to Drive Results*



# Implementation

## NAED Supply Chain Scorecard Task Force

### ☑ Step 4: Identify Communications Process

#### ❖ Baseline Your Data

- ❖ Refer to Recommended Best Practices
- ❖ Analyze Trends

#### ❖ Set Internal Performance Goals

*More than a Report---*

*ONGOING Tool to Drive Results*



# Implementation

## NAED Supply Chain Scorecard Task Force

### ☑ Step 5: Share Findings to Drive Results

#### ❖ Share Findings with the Right People

##### ❖ People who can "*move the needle*"

- ❖ Executives, Operations (*Channel, Logistics, Purchasing*), Sales & Marketing, etc.

*More than a Report---*

*ONGOING Tool to Drive Results*



# Implementation

## NAED Supply Chain Scorecard Task Force

### ☑ Step 5: Share Findings to Drive Results *(continued)*

#### ❖ ONGOING Review & Follow-Up Crucial

- ❖ Develop Mutual Goals

- ❖ Formulate Joint Improvement Plans

- ❖ Include in Annual Planning Sessions

  - ❖ Discuss Face-to-Face *at least 2X* a Year

  - ❖ Use to Focus Discussion @ Booth Sessions

*More than a Report---*

*ONGOING Tool to Drive Results*



# Getting Started?

## NAED Supply Chain Scorecard Task Force

### *SUGGESTED Measures---*

#### Distributors

- ✓ IDEA Participation
- ✓ Lead Time
- ✓ Initial Fill Rate
- ✓ On-Time Delivery

#### Manufacturers

- ✓ IDEA Participation
- ✓ Electronic Orders
- ✓ P.O. Accuracy

*---to DRIVE Results*

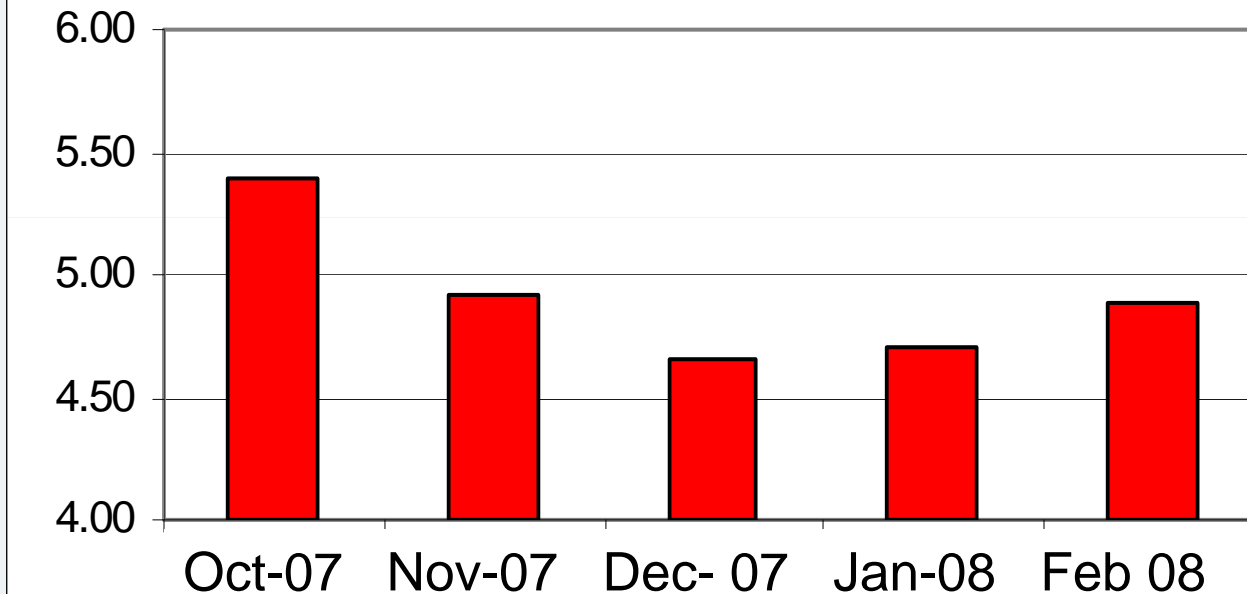


# Lead Time

## NAED Supply Chain Scorecard Task Force



SQUARE D- AVERAGE LEAD TIME



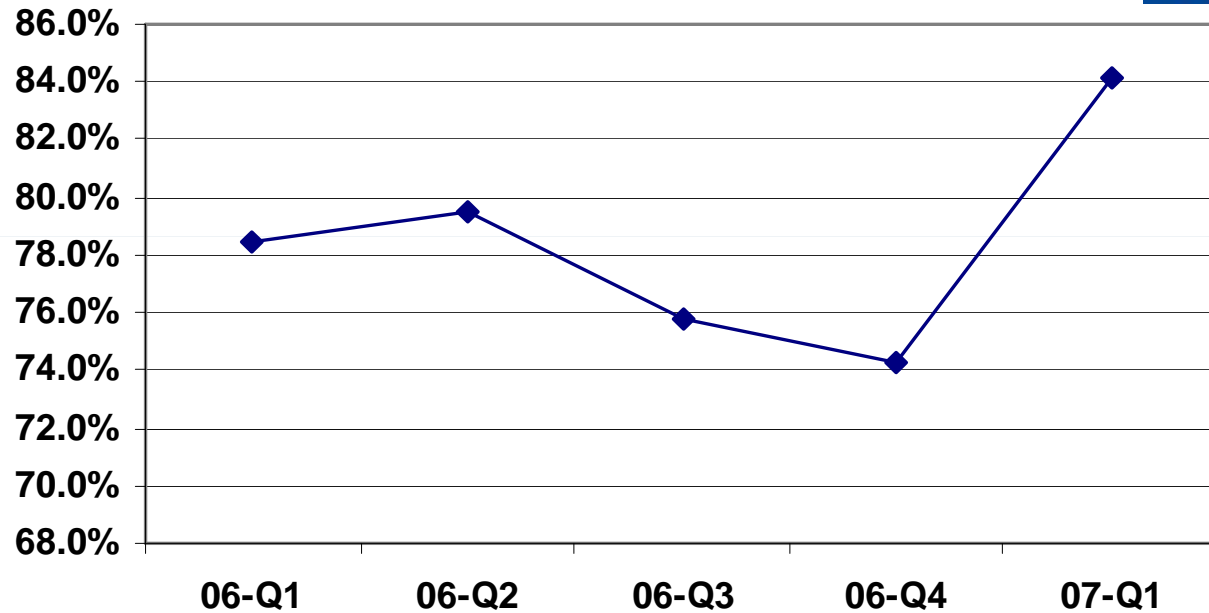
- ❖ The time elapsed in calendar days between when an electronic order is issued, or a manual order is accepted, to the receipt of material.



# INITIAL Fill Rate

## NAED Supply Chain Scorecard Task Force

### SYLVANIA - Initial Fill Rate



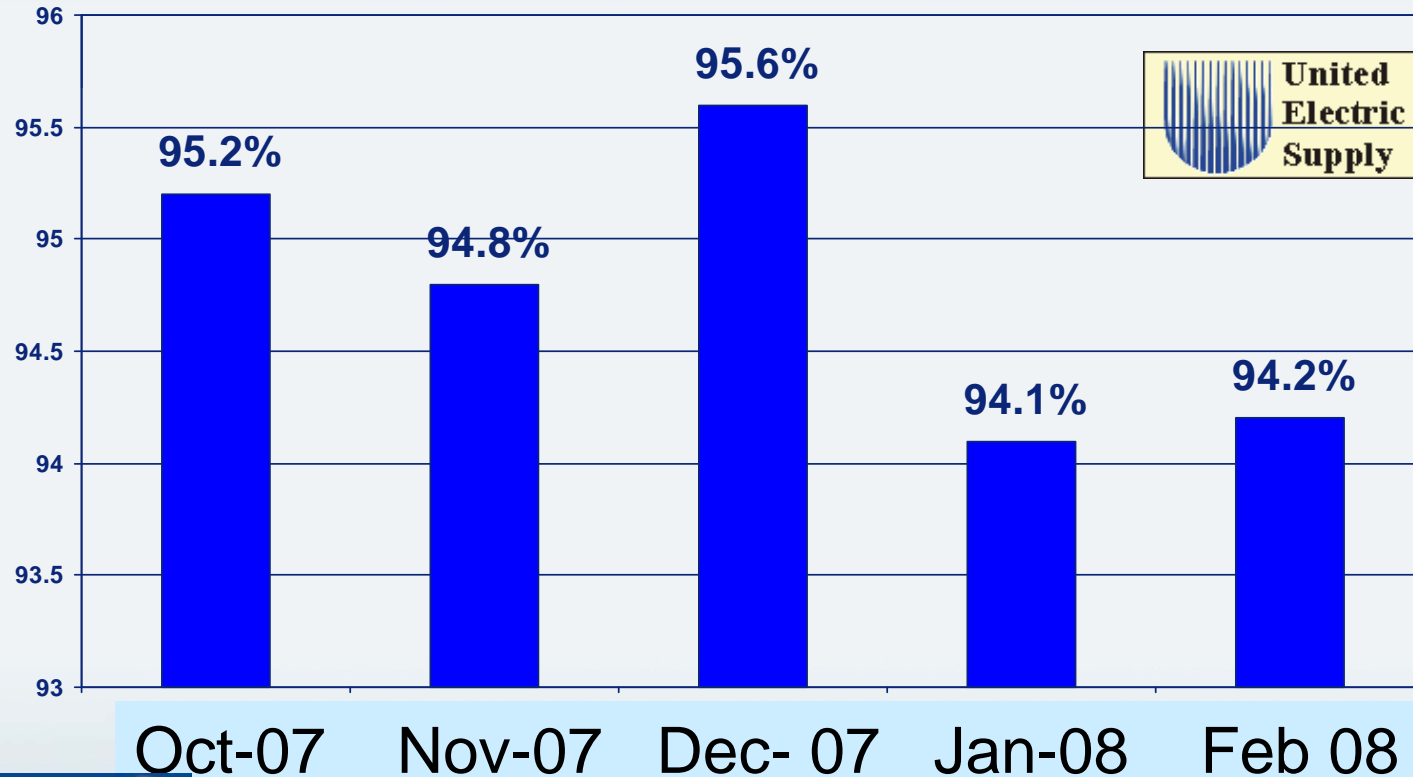
07Q1 07Q2 07Q3 07Q4 08Q1

- ❖ Stock line items received complete on first receipt as a % of stock line items ordered.



# Electronic Orders

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- ❖ Purchase Orders received via Electronic Data Interchange (EDI), Flat File, Vendor Managed Inventory (VMI), and/or Online entry.



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# P. O. Accuracy

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## NAED SCORECARD



Source: D.D.MARY  
99999 - United Electric Supply Company, Inc., NEW CASTLE

ONLINE USAGE	Current month	Overall Dist. Avg.-month	YTD	ELECTRONIC USAGE - 1st Quarter 2007
Usage of MySE - # of hits:	616		2307	Electronic Order \$: \$125,074.91
Number of Calls to the CIC:	14	15	33	Manual Entry Order \$: \$17,055.67
Order Entry:	1	1	1	Electronic Ordering %: 88.00%
Order Inquiry:	9	7	21	Rebate Amount: \$712.41
Price / Availability:	4	7	11	Maximum Rebate: \$805.17
Training Courses	11		17	Lost Rebate Amount: \$92.76
eLearning:			0	
Instructor Le			2	
Lunch and L			13	
Self Paced:	0		0	
WebEx:	2		2	

FREIGHT EFFICIENCY	Current month	Overall Dist. Avg.	YTD
Orders Entered For Les	0	12	62
Emergency Orders Entered	.7	6	75
Emergency Orders Dollar Amount:	\$16,804.90	\$4,700.49	\$71,549.43

PURCHASE ORDER ACCURACY	Current month	YTD
Number of Purchaser Error Returns:	1	2

ELECTRONIC COMMUNICATIONS	Usage	MEMBERSHIPS
EDI Communication	Yes	IDEA member: Yes
Invoice (810)	Yes	NAED member: Yes

<u>PURCHASE ORDER ACCURACY</u>	Current month	YTD
Number of Purchaser Error Returns:	1	2

- ❖ The number of line items ordered 100% correctly as a percentage of total line items ordered.



# *We've Covered...*

## NAED Supply Chain Scorecard Task Force

### ❖ Overview of Tools Developed

- ❖ Recommended Industry Vocabulary
- ❖ Recommended Best Practices
- ❖ "Menu" of Measures
  - ❖ Distributors measure Manufacturers
  - ❖ Manufacturers measure Distributors

### ❖ Creating YOUR Scorecard

- ❖ Process Overview & Tips
- ❖ Suggested Measures If You're Just Getting Started
- ❖ Examples of Using Scorecard Measures to Drive Results

### ❖ *"Ask the Experts"* Q&A Session



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*Now it's your turn...*

Questions???

Press\*0



# What You Can Do

## NAED Supply Chain Scorecard Task Force

### ❖ Use the Scorecards

- ❖ AD, EDN/Equity, and IMARK Group Support
- ❖ Leading Industry Software Vendors Support
  - ❖ Activant Eclipse Eterm Release 8.09 & "Solar" Release 8.62 Currently Available
  - ❖ Activant Prophet 21 Release 12.0, Late Fall 2008
  - ❖ Infor Currently available through SX.Intelligence Dashboard Module as an optional report. Will be available in 6.0 release through the New Business Information Module targeted for Q4 08
  - ❖ SAP includes configuration capability

*Measures DRIVE Results*



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# Webinar Schedule

NAED Supply Chain Scorecard Task Force

**May 8 4pm ET**

*"Using SAP Wholesale Distribution Software to Put the Supply Chain Scorecard in Play in Your Company"*

**May 29 4pm ET**

*"Using Activant Eclipse Software to Put the Supply Chain Scorecard in Play in Your Company"*

**June 26 4pm ET**

*"Supply Chain Scorecard Question & Answer Session"*

**July 24 4pm ET**

*"The Supply Chain Scorecard as a Competitive Advantage"*

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# Thank You

## Have a great day!



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or call NAED Customer Service @  
1.888.791.2512

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