



LOGISTICS GOOD PRACTICES GUIDE
SHARED INDICATORS
FOR THE HOUSEHOLD APPLIANCES, CONSUMER ELECTRONICS
AND PHOTO SECTOR



1st Edition– April 2015

Introduction

Retailers and manufacturers in the household appliances, consumer electronics and photo industry decided to pick up the challenge of establishing “Shared indicators” as a follow-up to the publication of the Warehouse Delivery Good Practices Guide.

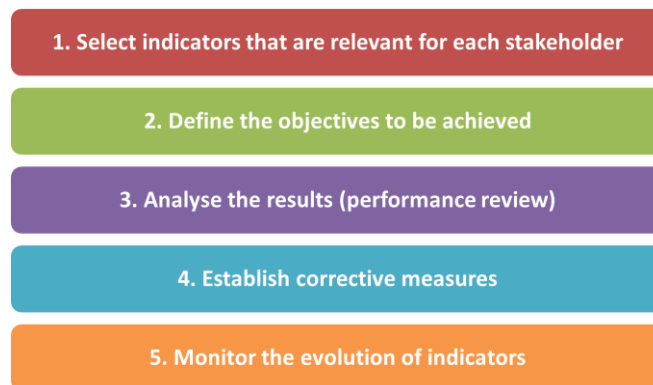
The members of the Working Group are convinced that the Supply Chain should be designed to serve the company’s business objectives.

The objective of this Guide is to provide formal recommendations to harmonize Supply Chain performance indicators in terms of definitions and computation methods used in the household appliances, consumer electronics and photo sector. A performance review process will be defined to facilitate exchange and sharing of these indicators among the various players. The decision to use and share these indicators remains up to each stakeholder involved.

The indicators defined in this document measure the common performance of the Supply Chain.

Indicators are only relevant if they are measured, verified and exchanged and lead to action plans for improvement. Establishing shared indicators must be part of a system aimed at continuous progress with the ultimate goal of achieving operational excellence at the Supply Chain level. When these indicators are discussed and analyzed (changes required and type of existing gaps), it can lead to the identification of action plans used in connection with performance reviews. Sharing common indicators makes it possible to focus on improvements rather than methods used to compute performance.

Tracking performance efficiently involves the following steps and is based on an iterative approach:



Manufacturers and distributors in this sector will allow themselves a reasonable amount of time to implement the recommendations contained in this document.

For their sector of business, manufacturers and retailers have identified the following indicators:

- ✚ On Time In Full (OTIF)
- ✚ Average delay in deliveries
- ✚ Rate of appointments outside of requested delivery periods
- ✚ On-time appointments (late/no-shows)
- ✚ Rate of claims (non-compliant / returns / non-acceptance)
- ✚ Rate of hidden damage

For each indicator, a data sheet contains detailed information on the following key points:

- Objective
- Definition
- Field of application
- Rules on sharing
- Person in charge of measuring
- Frequency rate
- Computation method
- Date / period used for computing purposes
- Management rules

Examples showing how these rates are computed are given to illustrate the application of the recommended management rules.

As some of the indicators refer to lead times, the Working Group members felt it was important to clarify the dates or periods used for computing purposes (see table below).

Requested delivery date	Corresponds to the initial Requested delivery date by the retailer, on the condition it complies with the contractual supply lead time.
Delivery tolerance limit	Corresponds to the maximum flexibility of the retailer for delivery of the goods.
Requested delivery period	Corresponds to the period starting from the delivery date requested by the retailer and ending upon expiration of the delivery tolerance limit.
Appointment date	Corresponds to the last appointment date in the retailer's IT system.
Effective delivery date	Corresponds to the actual date the delivery was made physically at the retailer's 1 st point of entry.

The **sole** objective of this Guide is to provide a methodology to compute shared indicators. Terms and conditions applicable to exchanging the data required to compute these indicators and share the results remain to be defined pursuant to a **bilateral agreement between suppliers and customers within the framework of their contractual relations, who must comply with the rules of competition law when engaging in such agreements.**

We would like to thank the representatives from the following companies for their contribution and commitment to the production of this Guide:

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BEKO, CANDY HOOVER, CANON, EBERHARDT, ELECTROLUX, HAIER, LG, MIELE, PANASONIC, WOOX INNOVATIONS, SEB, SMEG, WHIRLPOOL

OTIF (On Time In Full)	
Objective	<ul style="list-style-type: none"> • Measure and improve compliance of deliveries of orders on-time and in-full • Share a common composite indicator of Supply Chain performance
Definition	Quantities received within the agreed delivery period at the retailer's first point of entry* as a percentage of quantities scheduled for delivery during this period.
Rules on sharing	Shared between customer and supplier in the Supply Chain
Person in charge of measuring	Retailer
Frequency rate	Monthly indicator, computed based on all orders scheduled (requested dates) during a calendar month
Computation method	$(\text{quantities received on time}) / (\text{quantities ordered}) \times 100$
Date / period used for computing purposes	Requested delivery period
Management rules	<p>The Working Group recommends the following rules:</p> <ul style="list-style-type: none"> • Quantities are expressed as a number of consumer trade items. For example, 1 case of 2 hairdryers will be counted as 2. • Performance based on this indicator will be assessed using the <u>requested delivery period</u>. The requested delivery period corresponds to the period beginning from the delivery date requested by the retailer and ending upon expiration of the delivery tolerance limit: <ul style="list-style-type: none"> • The requested delivery date must comply with supply rules defined in commercial agreements and in particular, the order-delivery lead time. • Performance based on this indicator takes into account the delivery tolerance limit. Orders received after the tolerance limit will be considered non-compliant. The Working Group recommends a delivery tolerance limit of 7 days. Delivery tolerance limits may vary depending on the type of product. • This rate is tracked by order line and may be reported by SKU, product category, brand or supplier. • Changes to orders agreed to between the customer and the supplier must be taken into account when computing performance based on this indicator (for example, an increase of the quantity ordered). • Requested delivery periods will be different depending on whether the delivery is to the warehouse or directly to the POS, if IT systems allow. • Excess quantities received are not taken into account to compute service level (capped at quantity ordered). Excess quantities received must be dealt with as a legal issue and remedied.
Comments	This rate may be computed in terms of value by parties who find this relevant.

* Warehouse, platform or point of sale in the case of a direct Manufacturer – Point of Sale delivery.

Example computing OTIF:

Order	SKU	Quantity ordered	Requested delivery date	Delivery tolerance limit	Requested delivery period	Quantity received and validated	Effective delivery date	OTIF by line	OTIF by month	
1205	15648565	100	On the 10 th	7 days	Between the 3 rd and the 17 th	50	On the 22 nd	0%	61%	= (25+200+150+25+250+152+50+300) / 1887
	35489651	50				25	On the 17 th	50%		
	53658741	175				175	On the 22 nd	0%		
5238	69854127	200	On the 8 th		Between the 1 st and the 15 th	200	On the 18 th	100%		
1263	35489674	150	On the 8 th		Between the 1 st and the 15 th	150	On the 15 th	100%		
	47984319	250				200	On the 26 th	0%		
	26989364	85				25	On the 15 th	29.4%		
2832	53245811	300	On the 22 nd		Between the 15 th and the 29 th	250	On the 27 th	83.3%		
	34871662	48				48	On the 30 th	0%		
	24598762	154		152		On the 27 th	98.7%			
4525	54563217	75	On the 20 th	Between the 13 th and the 27 th	50	On the 28 th	66.7%			
	64578159	300			300	On the 28 th	100%			
Total		1887			Total	1625				

Average delay in deliveries	
Objective	<ul style="list-style-type: none"> • Measure the collective performance of stakeholders in terms of delivery lead times • Share a common composite indicator of Supply Chain performance
Definition	The average delay in number of days between the end of the requested delivery period and the effective delivery date
Rules on sharing	Shared between customer and supplier in the Supply Chain
Person in charge of measuring	Retailer
Frequency rate	Monthly indicator computed based on all orders scheduled (date requested) within one calendar month
Computation method	Average number of days between the end of the requested delivery period and the effective delivery date over one month
Date / period used for computing purposes	Requested delivery period Effective delivery date
Management rules	<p>The Working Group recommends the following rules:</p> <ul style="list-style-type: none"> • Performance based on this indicator will be assessed at the <u>end of the requested delivery period</u>. The end of the requested delivery period corresponds to the expiration of the delivery tolerance limit: <ul style="list-style-type: none"> • The requested delivery date must comply with supply rules defined in commercial agreements and in particular, the order-delivery lead time. • Performance based on this indicator takes into account the delivery tolerance limit. Orders received after the tolerance limit will be considered non-compliant. The Working Group recommends a delivery tolerance limit of 7 days. Delivery tolerance limits may vary depending on the type of product. • This rate is tracked by order line and may be reported by SKU, product category, brand or supplier. • Orders received within the requested delivery period and orders received in advance are considered performed on time with no delay.
Comments	The delay may be weighed in quantity or in value.

Data Sheet - AVERAGE DELAY IN DELIVERIES

Example computing average delay in deliveries:

Order	SKU	Quantity ordered	Requested delivery date	Delivery tolerance limit	End of requested delivery period	Quantity received and validated	Effective delivery date	Delay in deliveries per line	Average delay in deliveries per month	
1205	15648565	100	On the 10 th	7 days	On the 17 th	50	On the 22 nd	5 days	2.25 days	= (27) / 12
	35489651	50				25	On the 17 th	0 days		
	53658741	175				175	On the 22 nd	5 days		
5238	69854127	200	On the 8 th		On the 15 th	200	On the 18 th	3 days		
1263	35489674	150	On the 8 th		On the 15 th	150	On the 15 th	0 days		
	47984319	250				200	On the 26 th	11 days		
	26989364	85				25	On the 15 th	0 days		
2832	53245811	300	On the 22 nd		On the 29 th	250	On the 27 th	0 days		
	34871662	48				48	On the 30 th	1 day		
	24598762	154				152	On the 27 th	0 days		
4525	54563217	75	On the 20 th		On the 27 th	50	On the 28 th	1 day		
	64578159	300				300	On the 28 th	1 day		
Total		1887			Total	1625		27 days		

Data Sheet - RATE OF APPOINTMENTS OUTSIDE OF THE REQUESTED DELIVERY PERIOD

Rate of appointments outside of the requested delivery period	
Objective	<ul style="list-style-type: none"> • Measure the rate of appointments not obtained during the requested delivery period • Measure the collective performance of stakeholders to schedule appointments within the requested delivery period (OTIF indicator expressing lead time criteria) • Share a common composite indicator of Supply Chain performance
Definition	The number of order lines with an appointment outside of the requested delivery period as a percentage of the number of order lines scheduled for delivery during that period
Rules on sharing	Shared between customer and supplier in the Supply Chain
Person in charge of measuring	Retailer
Frequency rate	Monthly indicator computed based on all orders scheduled (date requested) within one calendar month
Computation method	$(\text{number of order lines with an appointment during the period}) / (\text{number of order lines scheduled for delivery}) \times 100$
Date / period used for computing purposes	Requested delivery period Appointment date
Management rules	<p>The Working Group recommends the following rules:</p> <ul style="list-style-type: none"> • Performance based on this indicator will be assessed using the <u>requested delivery period</u>. The requested delivery period corresponds to the period beginning from the delivery date requested by the retailer and ending upon expiration of the delivery tolerance limit: <ul style="list-style-type: none"> • The requested delivery date must comply with supply rules defined in commercial agreements and in particular, the order-delivery lead time. • Performance based on this indicator takes into account the delivery tolerance limit. Orders received after the tolerance limit will be considered non-compliant. The Working Group recommends a delivery tolerance limit of 7 days. Delivery tolerance limits may vary depending on the type of product. • Requested delivery periods will be different depending on whether the delivery is to the warehouse or directly to the POS, if IT systems allow. • This rate is tracked by order line and may be reported by SKU, product category, brand or supplier.
Comments	Additionally, suppliers may track order fill dates and appointment dates requested. This can be used to analyze performance based on this indicator. This rate may be weighed in quantity or in value.

Data Sheet - RATE OF APPOINTMENTS OUTSIDE OF THE REQUESTED DELIVERY PERIOD

Example computing the rate of appointments outside of the requested delivery period:

Order	SKU	Quantity ordered	Requested delivery date	Delivery tolerance limit	Requested delivery period	Quantity received and validated	Appointment date	Appointments outside of period	Rate of appointments outside of requested delivery period
1205	15648565	100	On the 10 th	7 days	Between the 3 rd and the 17 th	50	On the 22 nd	1	58.3 % = (7) / 12
	35489651	50				25	On the 17 th	0	
	53658741	175				175	On the 22 nd	1	
5238	69854127	200	On the 8 th		Between the 1 st and the 15 th	200	On the 18 th	1	
1263	35489674	150	On the 8 th		Between the 1 st and the 15 th	150	On the 15 th	0	
	47984319	250				200	On the 26 th	1	
	26989364	85				25	On the 15 th	0	
2832	53245811	300	On the 22 nd		Between the 15 th and the 29 th	250	On the 27 th	0	
	34871662	48				48	On the 30 th	1	
	24598762	154				152	On the 27 th	0	
4525	54563217	75	On the 20 th		Between the 13 th and the 27 th	50	On the 28 th	1	
	64578159	300				300	On the 28 th	1	
Total		1887			Total	1625		7	

On-time appointments	
Objective	<ul style="list-style-type: none"> • Measure the rate of on-time appointments at retailer's site • Measure the punctuality of appointments and identify delays and no-shows • Share a composite indicator for on-time appointments
Definition	The number of appointments on time at the retailer's first point of entry as a percentage of the number of appointments scheduled by the retailer.
Rules on sharing	Shared between customer and supplier
Person in charge of measuring	Retailer
Frequency rate	Monthly indicator computed based on all appointments scheduled within one calendar month
Computation method	$(\text{Number of appointments on time}) / (\text{Number of appointments scheduled}) \times 100$
Management rules	<p>The Working Group recommends the following rules:</p> <ul style="list-style-type: none"> • Performance based on this indicator will be assessed using the day and time of the appointment scheduled and accepted by the two parties. The retailer is responsible for updating its IT systems in the event appointments are changed. • Performance based on this indicator will be computed using a delivery tolerance limit of 30 minutes to cover contingencies. Trucks arriving outside of this time limit (later) will be considered to be late. • The arrival of the truck at the security checkpoint at the retailer's first point of entry* is used as the appointment arrival time.
Comments	<p>This indicator may be used to compute the rate of failure to be on time for appointments and the rate of no-shows.</p> <p>An additional indicator to measure release of the truck by the retailer may be computed by suppliers.</p>

Data Sheet - ON-TIME APPOINTMENTS

Example computing on-time appointments:

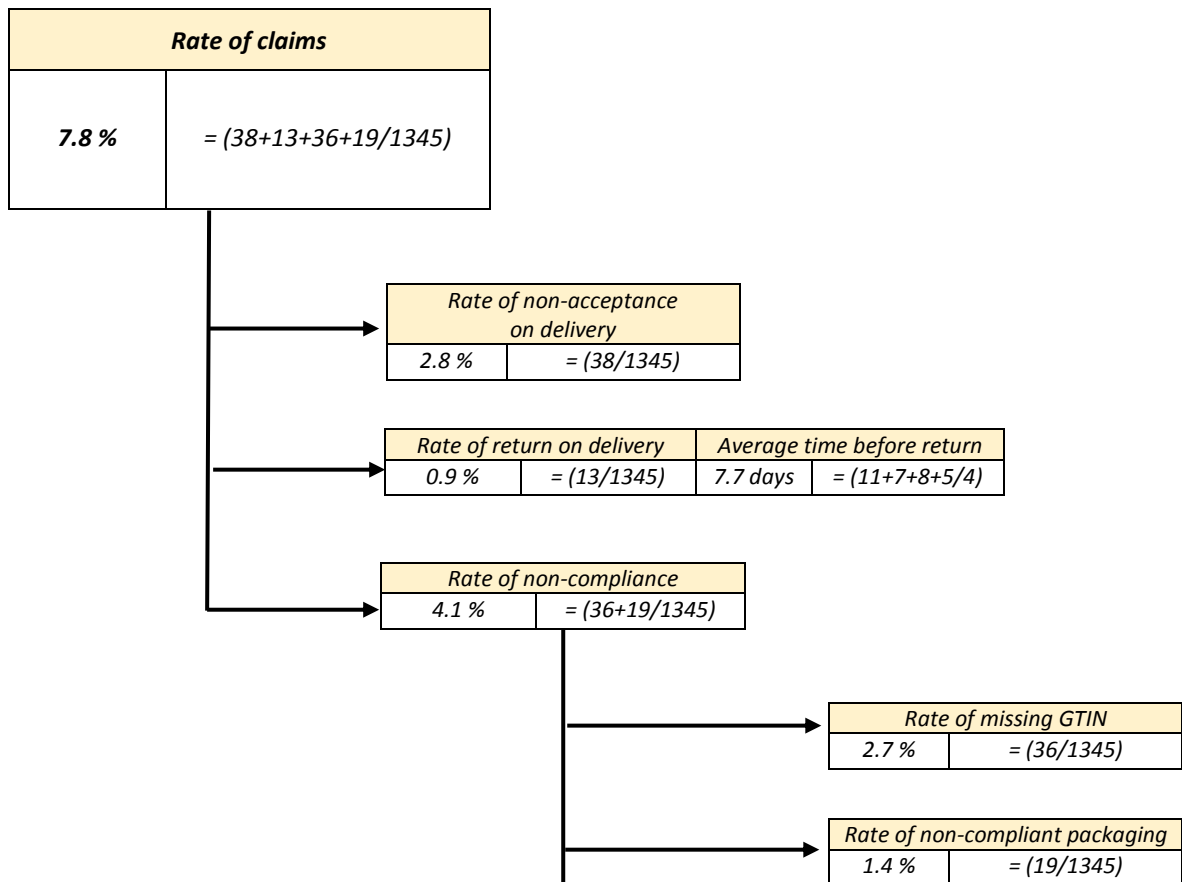
Order	SKU	Requested delivery date	Date and time of appointment	Delivery tolerance limit	Date and time of arrival at security checkpoint	On time for appointment		Failure to be on time for appointment		No-show		
1205	15648565	15/06	25/06 at 10.00 am	30 minutes	On 26/06 at 3.00 pm	50%	= 1- [(4)/8]	37.5%	= 3/8	12.5%	= 1/8	
	35489651				On 22/06 at 4.15 pm							
	53658741				On 03/07 at 8.45 am							
5238	69854127	22/06	22/06 at 4.00 pm		On 25/07 at 4.20 pm							
	1263	35489674	5/07		3/07 at 9.30 am							On 18/07 at 11.00 am
		47984319										
26989364												
2832	53245811	5/07	25/07 at 3.30 pm									On 16/07 at 5.55 pm
	34871662											
	24598762											
4525	54563217	6/07	18/07 at 12.30 pm		On 18/07 at 1.30 pm							
	64578159											
6595	47984319	6/07	16/07 at 3.00 pm									
	26989364											
	56875898											
4157	35489674	7/07	16/07 at 5.30 pm									
	47984319											
1265	35489651	7/07	18/07 at 12.30 pm									
	53658741											

Rate of claims on delivery	
Objective	<ul style="list-style-type: none"> • Maximize compliance of deliveries both in terms of administrative criteria and physical features of products • Measure the rates of non-acceptance, returns and non-compliance on delivery • Share a composite indicator on compliance of deliveries
Definition	Quantities received (accepted or not) which require a claim file to be opened as a percentage of total quantities scheduled for delivery.
Rules on sharing	Shared between customer and supplier
Person in charge of measuring	Retailer
Frequency rate	Monthly indicator based on all deliveries made within one calendar month
Computation method	$(\text{quantities received subject to claims}) / (\text{quantities scheduled for delivery}) \times 100$
Management rules	<p>The Working Group recommends the following rules:</p> <ul style="list-style-type: none"> • This is a rate tracked on an aggregate basis, but may be detailed by type of claim (non-acceptance / return / non-compliance). • Non-acceptance of a full truck is not taken into account when computing this indicator. • Quantities returned correspond to quantities which are not accepted on delivery and which are stored by the retailer until return to the carrier. • Non-compliance applies to all physical or computerized features which prevent validation of acceptance and stocking in inventory of products received. • Non-compliant criteria are contained in the Logistics Good Practices Guide. The following are examples: <ul style="list-style-type: none"> - No GTIN on carton - Failure to comply with pallet height - Missing packing list - Etc.
Comments	<ul style="list-style-type: none"> • An additional indicator measuring the average time before return may be computed by parties who find this relevant. • This rate may be reported by SKU, product category, brand or supplier. • The list of non-compliant criteria is defined based on each retailer, making it possible to focus especially on those items with the most impact.

Data sheet - RATE OF CLAIMS ON DELIVERY

Example computing the rate of non-acceptance and returns on delivery:

Order	SKU	Quantity ordered	Quantity received and validated	Effective delivery date	Quantity not accepted	Quantity returned	Quantity non-compliant		Date of return	Time before return
							No GTIN	Packaging		
1205	15648565	100	50	On 22/05	0	10	0	0	On 2/06	11 days
	35489651	50	25	On 17/05	0	0	0	2		
	53658741	75	75	On 22/05	0	0	10	0		
5238	69854127	200	200	On 18/05	5	0	0	0	On 25/05	7 days
1263	35489674	150	150	On 15/05	0	0	0	5		
	47984319	25	20	On 26/05	0	0	0	0		
	26989364	65	25	On 15/05	0	1	0	0	On 23/05	8 days
2832	53245811	300	250	On 27/05	25	0	25	2		
	34871662	48	48	On 30/05	8	0	0	0		
	24598762	154	152	On 27/05	0	0	1	0		
4525	54563217	75	50	On 28/05	0	2	0	10	On 2/06	5 days
	64578159	300	300	On 28/05	0	0	0	0		
		1542	1345		38	13	36	19		



Indicator - RATE OF HIDDEN DEFECTS

Rate of hidden defects	
Objective	Identify those products with a high rate of hidden defects to establish action plans for improvement (packaging, safety, etc.).
Definition	Quantities received with a hidden defect at the retailer's first point of entry* as a percentage of total quantities inspected.
Person in charge of measuring	Retailer
Frequency rate	Monthly indicator based on all orders inspected within one calendar month
Computation method	$(\text{quantities inspected having a hidden defect}) / (\text{total quantities inspected}) \times 100$
Management rules	<ul style="list-style-type: none"> ▪ Hidden defects correspond to anomalies detected after unpacking, such as: dents, bending, scratches, faulty appearance or finishing (sheet metal, paint, operation of dials, etc.), product incomplete, instructions for use missing, etc. ▪ The rate of hidden defects applies to all types of products and is computed only for warehouse deliveries. ▪ Samplings are taken to perform inspections (rules to be defined between stakeholders). Additional samplings may be taken if defects are found. ▪ Inspections performed to detect hidden defects must take place within the legal time limit to file claims, i.e., 72 hours after acceptance of delivery. Beyond this time, managing hidden defects must be ensured within the framework of the commercial relations of the parties. ▪ Hidden defects must be recorded in a claim file containing photos and adequate explanations. ▪ Products with hidden defects are put aside for prompt return to the supplier.
Comments	<ul style="list-style-type: none"> • This rate may be aggregated by SKU, product category, brand or supplier.

Example: RATE OF HIDDEN DEFECTS

Example computing the rate of hidden defects:

	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>May</i>
<i>Total quantity delivered</i>	<i>79390</i>	<i>73216</i>	<i>62767</i>	<i>79390</i>	<i>73216</i>
<i>Total quantity unpacked</i>	<i>1145</i>	<i>1044</i>	<i>1274</i>	<i>1145</i>	<i>1044</i>
<i>Inspection rate</i>	<i>1.5%</i>	<i>1.4%</i>	<i>2.0%</i>	<i>1.5%</i>	<i>1.4%</i>
<i>Total quantity of hidden defects</i>	<i>20</i>	<i>57</i>	<i>76</i>	<i>20</i>	<i>57</i>
<i>Rate of hidden defects</i>	<i>1.7%</i>	<i>5.5%</i>	<i>6.0%</i>	<i>1.7%</i>	<i>5.5%</i>