# Thinking About Metrics

*By Robert Shagawat – President & CEO, Shippers Commonwealth, LLC*

We all measure what we do in some way … or someone does it for us!  In thinking about success metrics and key performance indicators (KPI's) in the transportation arena over the years, certain truths became "self-evident".  Managers don't use transportation management systems (TMS) transactionally (their people such as load planners/dispatchers do this for them), but they do want to see how they are doing and view and present their "image in the mirror" for their executive team and within the industry.   Many TMS programs have only daily transactional information, with a dearth of KPI's needed to steer the "supply chain ship" for the enterprise.   Executives crave scorecard and benchmark information, which is hard to come by in our industry.

Having pondered on this in the past, the KPI's which are most important for transportation management becomes clearer when we design systems and see how people actually use them. My colleague Dan Walker at MeadWestvaco once said that all transportation metrics come down to four letters: D-R-U-M, representing Distance, Rates, Utilization, and Mode.   In thinking about a DRUM reporting suite, as we developed our Shipment Intelligence Center for Shippers Commonwealth clients, the following measures were among the most useful:

**Performance:** on time pickup and on time delivery measured to a configurable window as to what represents "late" or "early" as "service failures", while also measuring % of load statuses reported (e-commerce frequency and accuracy), as well as the "degree of lateness". Reason code analyses are also key, as a large majority of service failures tend to be consignee or shipper related, not just caused by carriers. Such information can empower solutions for supply chain bottlenecks. These KPI's can also be further used in developing freight allowance pricing by account, or "pay for performance" discount programs by shippers for their customers.   Dwell time by location (with related detention information) is also a key performance measure in today's HOS environment.

**Availability:** carrier acceptance rates on loads, in freerunner lanes vs. lanes with defined commitment and capacity programs, can be highly useful in a TL freight environment.

**Cost:** Vital KPI's here include cost per lane, cost per unit weight, and cost per ton-mile, with comparative trend lines and "drill down" capabilities to identify and measure where the cost deviations are arising (by carrier, by destination, by origin, etc).  Isolating linehaul vs. accessorial costs is also key to understanding cost variation.  Landed cost per SKU is key to both retailers and manufacturers, yet seldom really available within most enterprises today.

**Utilization:** trailer utilization by weight and/or cube, and length of haul changes (to measure demographic shipping pattern shifts or "out of pattern" fulfillments across regions) are also key metrics needed to identify reasons for cost and service performance.  Freight by mode identifies mode shifting trends, opportunities, and results of changes.

Having such data in common form across shippers (in a TMS with standard KPI's for comparative analysis) can also facilitate benchmarking, be it on rates, landed cost, or supply chain performance.

As the seamstress always said, "Measure seven times, cut once". It is the same with today's progressive logistics manager, who needs the ability to measure his transportation program performance carefully, then act once but act decisively on a facts-based basis to address key areas requiring improvement. Metrics can make the difference between a reactive transportation function vs. one that is esteemed in the organization for its proactive leadership in improving delivery to customers - on time, defect free, and at the lowest landed cost.

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