the numbers don't LIE

EXECUTIVE BRIEFING

SPINNAKER
DELIVERING SUPPLY CHAIN EXCELLENCE

Numbers never lie, but without metrics to provide shape and substance, then they can be misinterpreted. To understand the key performance indicators (KPIs), aka metrics, for your business is critical to the long-term health of your business. Many people are challenged by the 3 steps to metrics managements:

1. **When** to introduce metrics
2. **What** the right metric is for your business or process
3. **How** to ensure the metrics work for you (and your team)

While many supply chain models have transformed to effectively align supply with demand, returns (and their impacts) are too often an afterthought to these transformative efforts. As such, the reverse supply chain is often an immature business, managed more often by instinct than data.

"Measure what is measurable and make measurable what is not so." - Galileo

The underlining sentiment is that metrics should be considered holistically. Additionally, you could infer from Galileo the indication that everything should be measured. I would challenge that thought, just because you can define and measure it, doesn't mean you should. Metrics must be tied to the desired business outcomes. As Stuart Fleming, Spinnaker's Director of Operations reflected, "Like Einstein said, '…if you judge a fish by its ability to climb a tree, it will live its life believing it's a failure.'"

The measures and metrics for reverse are often incomplete or insufficient to effectively manage what the returns business is being asked to do. The metrics between forward and reverse are simply different, as is the corresponding impact.

Metrics need to be tied to the desired business outcomes. Mature businesses take the time to assess what metrics are in place and those that are needed, and then work to create the systems and processes to provide the required data. As data collection, analysis and management is cost and labor-intensive, especially for immature processes like returns, you must weigh-out the expected benefit from the metric. The pervading thought is to not start something you can't sustain in the long-term.

Measure only what is important, can be easily understood by all stakeholders, and is actionable.

Often what you choose not to measure is more important than what you select to measure. Performance metric selection is critical; start by asking your organization simple questions:

1. What is the business goal that you want to track and improve? (shorten credit issuance cycle? improve first time resolution? reduce NTF or scrap rate?)
2. What are the processes that support the business goal?
3. What metric would best reflect the productivity of the process?

Today's Metric May Not Apply Tomorrow

Looking at the last 10 years of business clearly illustrate that business is dynamic – who knew in 2006 that Amazon would deliver groceries, a mobile phone could replace a PC, or any number of amazing changes in our current world. Since business is dynamic, so should metrics remain relevant. What was measured in past may not provide the same value today. It is imperative that a business schedule time to review, question, and rationalize the metrics that manage their business on an annual basis.

From Metrics to Action

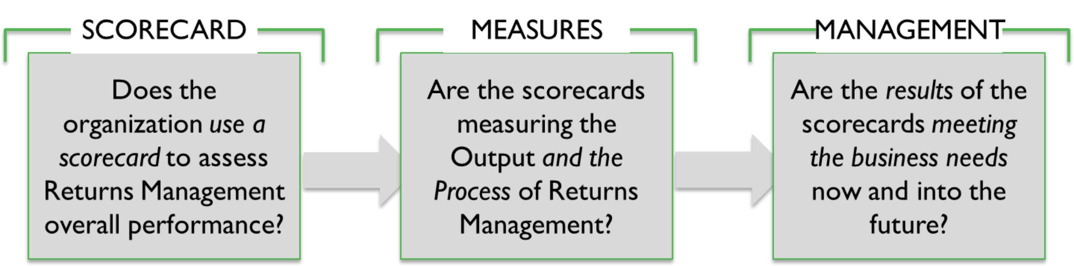
All the data and metrics are useless unless the knowledge gleaned is translated into action. A business must honestly ask itself *"how will this metric help us make better decisions".*

Every metric must be mapped to a desired outcome and be supported by an action plan. There must be a continuous improvement loop of parallel review between the action plan and the metric review, each feeding the other.

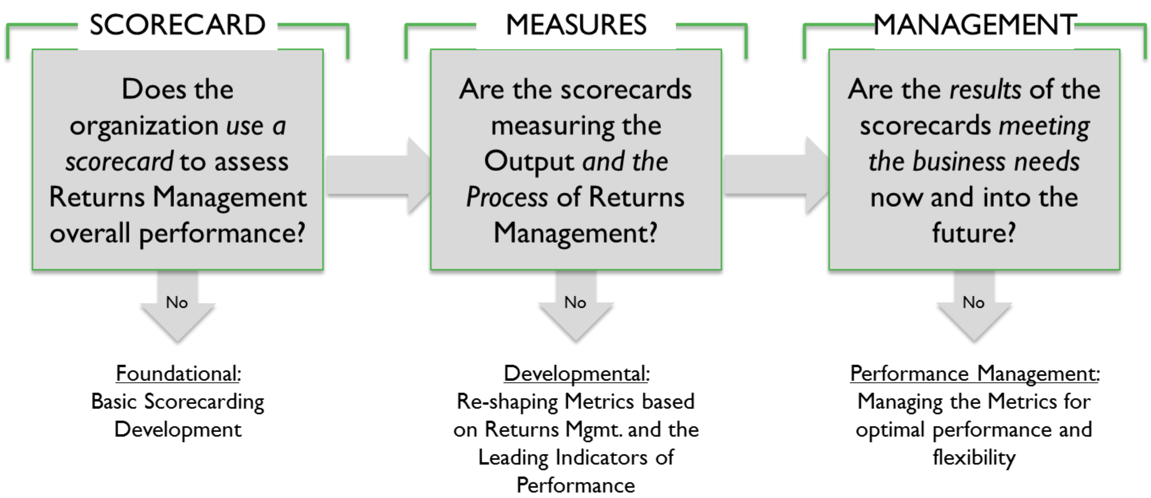
If you choose your metrics wisely and present them properly, then the teams will make the right decisions and take the right actions that enable your organization to excel.

Performance Management Maturity

The complexity of a returns management operation lends itself to a wide spectrum of maturity levels. When viewed in simple terms, the business of returns metrics can be viewed as:



Spinnaker looks at an organization and determines the current state of maturity and recommends strategies to reach the next level.



Far too often companies manage with cumbersome scorecards that are exhaustive and surprisingly counter-productive to timely and effective management of the business. Spinnaker's approach is simple, straightforward, and designed to focus on the key metrics which drive the business and point to areas of opportunities. Should you find yourself questioning the value of your organizations existing scorecard, Spinnaker welcomes the opportunity to have a more detailed conversation to better understand your challenges.

We hope you found this information to be helpful. To access more Spinnaker thought leadership click here, or to learn more about our services click here.

About Spinnaker:

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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