

# Distributor KPIs that Lead to Revenue Success

Analytics and KPIs Every Distributor Needs to Track



# Distributor KPIs That Lead to Success

Being the middleman is a tough place to be and measuring distributor KPIs can be a daunting task. Distributor margins are squeezed by customers and suppliers, forming a constant challenge to carve out your niche in the market. While suppliers expect payment on time, customers like to stretch out their accounts, creating a recipe for cash flow challenges.

Facing cash flow issues can be a considerable hardship for the middleman trying to do an excellent job while being squeezed by two different entities (i.e., customers and suppliers). Above all, ignoring key performance indicators (KPIs) could mean missing out on a significant opportunity to improve competitiveness and profitability.

Fortunately, with some visibility and care, you can protect and improve your cash position. And, you can rest assured that supply chain disruption, softening demand, and other economic hardships will not devastate your business. Here are five key distributor KPIs to measure to solve the cash crunch and support good decision-making:



# 1. Measuring Profit Margin

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The difference between a product selling price and the distributor's price is the margin constantly fluctuating. Margin plays a critical role in a company's healthy cash flow. Put simply, when you increase your margins, that money flows right to your bottom line. So, [nail your pricing](#) and you'll see the benefits immediately.

Analytics integrated with your Enterprise Resource Planning (ERP) and other business systems provides at-a-glance views of margin performance across customers, locations, and products. In addition, dashboards can show if and where your sales reps are unnecessarily discounting pricing based on gut-instinct or if you are maximizing margin by selling uniformly into a vertical market. Progress can be checked daily to see if you are meeting margin goals.

**Consider that two percent of extra margin for a company with \$10 million in revenue is \$200,000 straight to the bottom line with no additional work.** How much more could you make with this information easily in hand?

## The indicators to watch are:

1. Gross margin performance
2. Margin breakdown for individual customers, products, product lines, etc.

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## 2. Inventory Management

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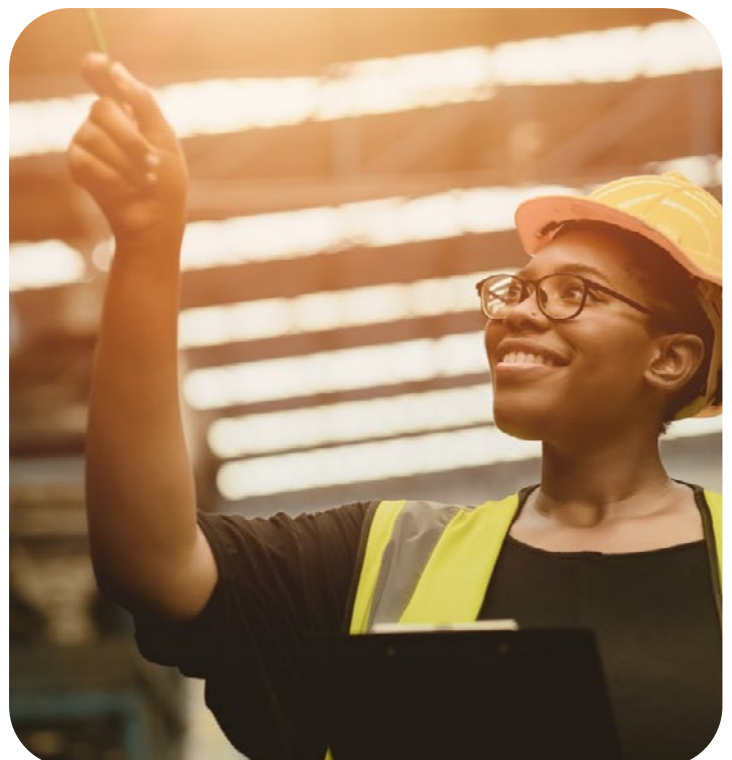
The days when a distributor could afford to let unwanted, obsolete products sit around in the warehouse, gathering dust, are long gone. In today's just-in-time manufacturing and distribution environment, a combination of effective procurement procedures and getting rid of dead stock can significantly positively impact a company's cash flow.

Aside from labor, inventory is usually a distributor's most significant expense. Keeping it "lean" while also ensuring that you always have the right product at the right time and in the right place can be difficult at best and impossible when supply chain disruption throws a wrench in your plans.

Distributor analytics help you identify which products are making you the most money and which are destined to become a bad investment. Trending analytics show you products that are declining in sales and where to sell them before they get stuck on your shelf.

### **Inventory-specific KPIs to keep in mind:**

1. Inventory holding costs
2. Inventory turnover rates
3. Average inventory
4. Average days to sell inventory
5. Obsolete carrying costs/write-off costs
6. Order fulfillment rates
7. Number of backorders



# 3. Analyzing Sales Performance

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All companies want to brag that their sales volumes are up for the quarter or the year. While this type of growth only hits your bottom line in the net margin ratio (typically 2% to 6%), it can still add up to increased profit.

Analytics highlight customers growing for you and others tapering off to give both accounts the proper attention. Helping your sales reps see where to spend their time for the best return can pay off big-time, such as knowing which products a customer has stopped buying so they can get that business back before it's too late.

## **Sales KPIs you will want to monitor:**

1. Sales and revenue performance
2. Days sales outstanding
3. Inventory turnover





# 4. Expenses Projections

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Running manual reports is a messy, time-intensive process that no one likes to do. Once they are all compiled, they often only give you a look into the rear-view mirror with little or no perspective.

Distributor analytics help you put an expense into context. For example, you can see how each expense is trending and compare it to previous periods or against sales or gross profit or another branch of your company.

## Expense-related KPIs to watch:

1. Collection time for accounts receivables
2. Working capital availability
3. Accounts Payable Turnover KPI
4. Accounts payable turnover (how quickly your firm pays off suppliers and other expenses)



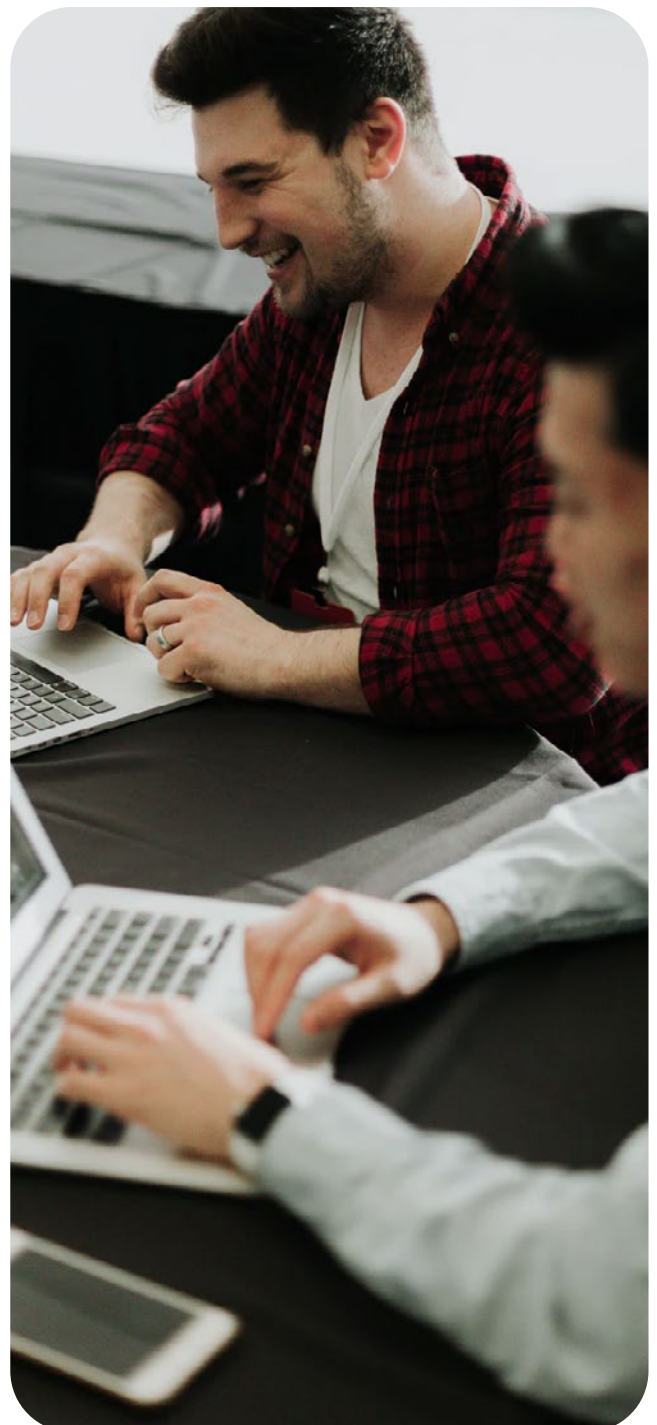
# 5. Customer Management

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Ultimately, managing your customers and ensuring their success will ensure your success too. Having a complete picture of a customer—all the way down to the invoice level—enables sales to maximize their selling opportunities.

## Key points to measure here:

1. Customer order volume and frequency
2. Average shipping times
3. Delivery efficiency
4. Customer backorders
5. Time needed to fulfill backorders



# Delivering Real Value with KPIs

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Take a few minutes to think about these metrics. How much time and effort would it take for you to evaluate them for your business? What resources (people and technology) and processes do you have to trace and manage these metrics regularly? Finally, what impact could they have on the health of your business?

There are hundreds of distributor KPIs you can use to measure your business success. The important ones are the aspects that will bring value to you and your business decisions. In general, these business metrics will give you a good idea of how your company is doing. They can help bring about change in more specific areas, making everyone more productive and ultimately, driving profitability.





# About us

White Cup turns a distributor's sales pains into profit gains. Our CRM, Business Intelligence (BI), and Pricing software make it easier for you to sell more, keep more profit and beat the competition. With over 20 years of experience, White Cup is trusted by more than 1,000 customers globally.

To learn more, visit [whitecupsolutions.com](https://whitecupsolutions.com).

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