Distribution Expense as a Percentage of Total Revenue

Benchmarks, Definition & Measurement Details
Distribution Expense as a Percentage of Total Revenue

Definition & Measurement Details

What is Distribution Expense as a Percentage of Total Revenue?
Total distribution expense incurred by the company divided by the total amount of revenue generated by the company over the same time period, as a percentage.

Why should this KPI be measured?
Distribution Expense as a Percentage of Total Revenue measures the investment in distribution that is utilized by the company to generate its stated revenue. A high KPI may suggest small order sizes, excessive equipment maintenance costs, ineffective inventory management, costly vendor selection, poor materials handling, expensive warehouse facilities, overstaffed Distribution functions or slow shipment/delivery cycle times. Companies that incur high distribution costs may pass those expenses on to customers in the form of shipping charges, which may cause customer dissatisfaction. Companies can reduce their distribution expenses by consolidating customer orders, setting productivity goals, optimizing packaging materials for different types of shipments, minimizing order errors, etc.

How is this KPI calculated?
Two values are used to calculate this KPI: (1) the total distribution expense incurred by the company, and (2) the total revenue generated by the company during the same measurement period. Distribution expenses should include management activities, receiving and warehousing inbound deliveries, monitoring product availability, picking and shipping products for delivery, inventory storage, and shipping/transportation. Do not include procurement expenses in this calculation. Only include non-interest income in the denominator of this calculation.

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Distribution Expense as a Percentage of Total Revenue

Benchmarks & Characteristics of High Performers

Distribution Expense as a Percentage of Total Revenue

\[
\text{Distribution Expense as a Percentage of Total Revenue} = \left( \frac{\text{Total Distribution Expense}}{\text{Total Revenue}} \right) \times 100
\]

How to read this chart:
This chart summarizes the performance gaps between high (Top 5%), mid (Median) and low (Bottom 5%) performers for this Key Performance Indicator (KPI). For example, the column labeled “Top 5%” represents a company that outperformed 95% of the peer group observed for this metric.

Characteristics of High Performers

- KPIs are well-defined, tracked and tied to performance reviews
- Robust self-service options for customer (online FAQs, etc.)
- Agents cross-trained to handle and resolve multiple call types
- KPIs are well-defined, tracked and tied to agent performance reviews

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