Ebook

8 Order Management KPIs Worth Measuring

To Achieve B2B Customer Service & Supply Chain Excellence

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Introduction

What is order management?

Order management (OM) refers to all the processes involved in ensuring the right order reaches the right customer at the right time. Effective management of the customer order lifecycle is critical to an organization's ability to generate revenue, maintain operational efficiency and nurture strong customer relationships.

What are KPIs?

Key Performance Indicators, commonly known as KPIs, are quantifiable metrics that enable organizations to measure their performance or progress against a set of objectives or industry peers.

Why are order management KPIs important?

Order management KPIs are essential for keeping track of incoming orders, sticking to delivery commitments and ensuring accountability across multiple teams and departments. Scrutinizing certain metrics not only shines a light on operational trends (e.g., how long it takes to fulfill and ship orders), it also yields broader insights that impact profitability and strategic business decisions.

Key considerations

The world of OM KPIs is vast and often complex, so before reading further and/or deciding on which metrics make sense for your organization, consider the following:

- **There's no magic number.** When it comes to OM KPIs, more is not necessarily better. For example, tracking KPIs that are unattached to specific, evidence-based goals defeats the purpose. Be deliberate about which KPIs you prioritize and pare down if necessary.
- **Not all metrics are KPIs.** Metrics are data points used for analysis, but unlike KPIs, they don't always align with measuring performance against a set objective. In short, KPIs are goal-oriented; metrics are the numbers that inform these goals.
- **Sharing is caring.** While not every OM KPI has to be shared, it's important to communicate and reward collaboration or actions that lead to improvement by sharing the evolution of key results — all of which reinforces continued motivation/involvement.

Let's get started ...

The following pages highlight eight OM KPIs that are highly effective in informing B2B Customer Service teams what they're up against and where to focus improvement efforts.

Order “speed” KPIs

Companies looking to differentiate themselves from the competition can do so by providing an exceptional CX. More often than not, this can be achieved by accelerating the amount of time it takes to manage orders, fulfill deliveries and respond to inquiries. The following KPIs can be used as effective barometers for your order processing speed:

01

Order Cycle Time

Order Cycle Time (OCT) is an essential OM KPI used to measure the average time it takes to ship an order after it was placed (excluding the actual shipping time). The shorter the OCT, the more responsive a company is in relation to managing customer orders. And like all speed/cycle time KPIs, OCT can be used to gauge customer satisfaction as well as detecting supply chain issues. A best-in-class OCT is generally thought to be anything under 3 hours.

How to calculate

(Shipping date – order date) % (Total orders shipped) = OCT

02

Response Time

Response Time (RT) measures how long it takes Customer Service teams to respond to a customer inquiry (e.g., “When will my order ship?”) — providing a snapshot of the efficiency of communication with existing or potential customers. At a time when customers expect their B2B experience to mirror the speed and convenience of B2C interactions, RT is a true KPI of brand reputation and customer loyalty. While Response Times within 24 hours are typically acceptable, doing so under 1 hour can significantly enhance CX.

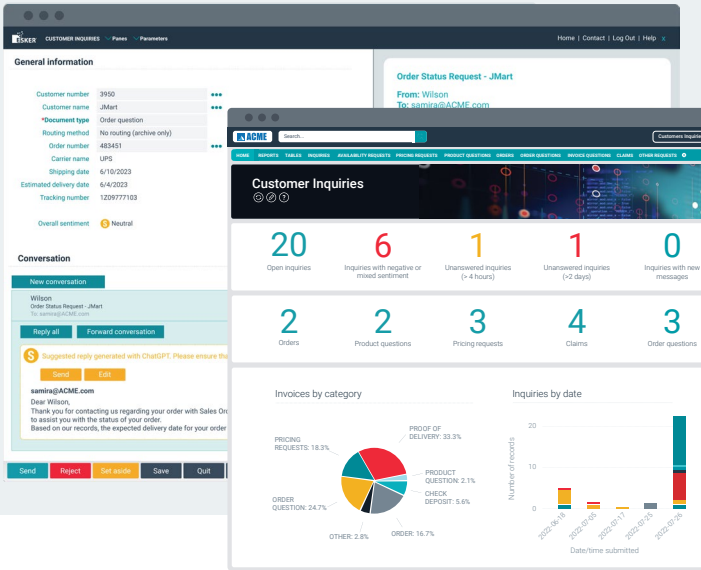
How to calculate

(Time of response) – (Time of customer inquiry) % (Number of inquiries) = RT

A little AI goes a long way

Automated OM solutions are an effective catalyst for improving OCT and RT thanks to a combination of AI tech that aid in accelerating order processing and fulfillment by:

- Automatically identifying orders received in the shared inbox and classifying by type
- Capturing key info from any order/format and increasing recognition rates over time (eliminating the need for manual data entry)
- Retrieving elements of information in the internal systems (e.g., shipping date) to generate answers using RAG AI — helping your team answer inquiries faster



Order “quality” KPIs

In the arena of logistics and fulfillment, you can’t achieve order “speed” without also committing to order “quality” (i.e., getting the right order sent out at the right time to the right destination). The following KPIs are both instrumental in enabling companies to ascend to higher standards of order quality, and thus, improving the end-to-end customer journey.

03

On Time In full

On Time In Full (OTIF) is a black-and-white assessment of a company’s ability to fulfill its delivery promises on schedule and with the correct number of goods. OTIF not only sheds light on problematic/time-consuming aspects of order management (e.g., order status requests, claims, credit notes, reshipping) it has a direct impact on CX — providing companies with a no-brainer incentive to track and improve. An excellent OTIF to shoot for is anything 90% or more.

How to calculate

(Total deliveries made on time and in full) % (Total deliveries made) x 100 = OTIF

04

Perfect Order Rate

Like OTIF, Perfect Order Rate (POR) is an effective OM KPI that measures if the right order is fulfilled in full. However, POR goes a step further by also evaluating the accuracy of associated documentation, labeling and invoicing. Understanding POR not only makes it easier to pinpoint problem areas in the supply chain related to fulfillment success, it also helps companies in their downstream efforts to collect invoices corresponding to orders (optimizing DSO and cashflow). A score of 90% or above is typically deemed “excellent.”

How to calculate

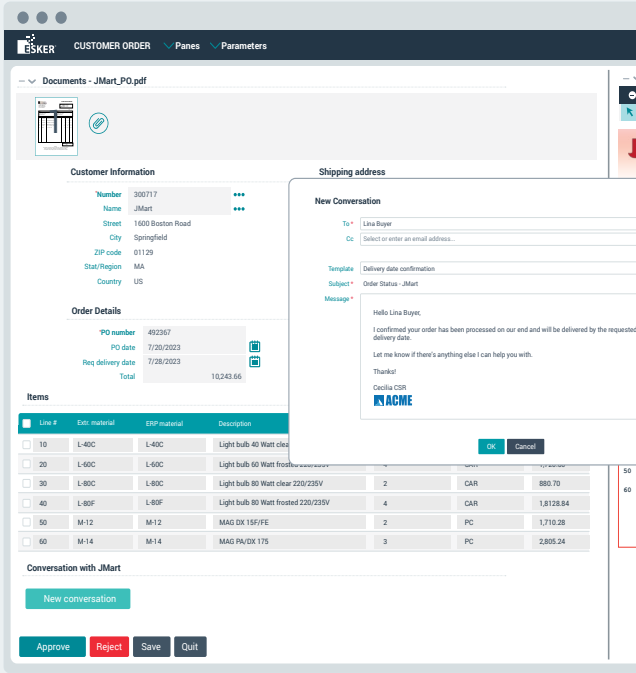
(Orders delivered without incident) % (Total number of orders) x 100 = POR

Clarity, collaboration & resolution — all in one interface

The more insight you have into your OM processes, the more likely you are to get to the root causes of slowdowns and be proactive in improving OTIF and POR.

Once again, automated OM solutions have proven to be highly effective for facilitating these kinds of efficiencies, providing users with a single “pane of glass” to monitor the complete order lifecycle with tools such as:

- Customizable dashboards featuring real-time metrics, performance trends and items analytics
- Tracked conversations to quickly clarify orders both internally and with customers
- Audit trail of every OM touch point, ensuring full transparency and accountability
- Data verification and anomaly detection to avoid incorrect shipments
- Live connection via web services to deliver confirmations and ship notices back from the ERP to customers



Customer perception KPIs

Customer satisfaction (i.e., the degree to which customers are satisfied with your products, services and interactions) is an essential OM KPI because of its impact on the three "Rs" — retention, referrals and revenue. The question is: What's the best way to evaluate it?

05

Customer Satisfaction Score

Customer Satisfaction Score (CSAT) measures customer satisfaction related to a particular interaction or purchase, allowing companies to analyze specific customer engagements on a granular level.

How to calculate

Survey customers with a question related to a specific interaction or purchase, such as: "How do you feel about the [goods/service] you received today?". Provide them with a 5-point scale to illustrate their satisfaction level: 1) Very dissatisfied; 2) Dissatisfied; 3) Neutral; 4) Satisfied; and 5) Very satisfied. Then calculate your CSAT score using the equation below. *A "good" CSAT score varies but is typically between 75-90%.*

(Number of Satisfied % Very satisfied customers) % (Total number of responses) x 100 = CSAT

06

Net Promoter Score

Net Promoter Score® (NPS) provides companies with broader, more high-level insights into customer satisfaction levels, measuring a customer's overall relationship with or perception of a company.

How to calculate

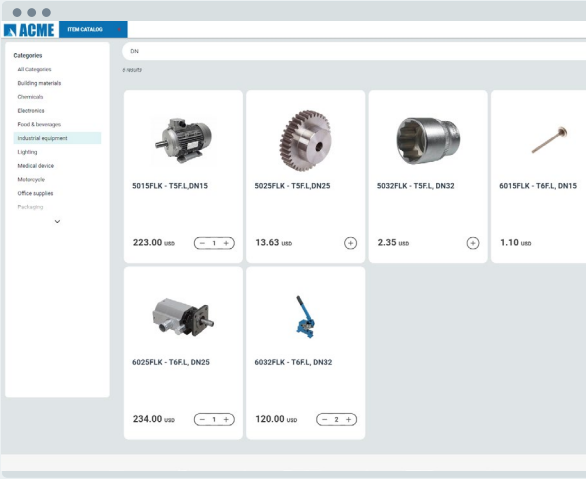
Survey customers with this question: "How likely are you to recommend [business] to a friend/colleague on a 0-10 scale?". Categorize responses into Detractors (0-6), Passives (7-8) and Promoters (9-10). Then calculate your NPS score using the equation below. Any score above zero can technically be considered "good," as it implies more promoters than detractors. Anything 50 and above would be considered "excellent."

(Number of Promoter scores % Total number of respondents) – (Number of Detractor scores % Total number of respondents) = NPS

Delivering a B2C-style buying experience to B2B customers

Automating your OM process improves the B2B CX by providing customers with an Amazon-like buying experience at every step of their journey. This is facilitated with the help of:

- Freed up Customer Service staff who can pursue outbound communications vs. low-value administrative tasks
- AI-assisted responses that are automatically recommended to Customer Service staff to review, edit if needed, and ensure rapid, accurate email replies
- An intuitive ecommerce portal where customers can place orders, get real-time updates on order status and carrier shipment, and enjoy complete transparency



07 Employee Satisfaction

Employee Satisfaction (eSAT) might just be the most straightforward KPI in any B2B Customer Service team's toolkit that measures how satisfied employees are with their job and company.

Why it matters

Tracking eSAT is essential in helping B2B Customer Service teams improve employee engagement and performance, build a better company culture that facilitates less turnover, and ultimately leads to better customer interactions and higher profitability.

How to calculate

Like CSAT, eSAT is typically measured by surveying employees with a question such as, "How satisfied are you with your current role?" using a similar 5-point scale. Then calculate your eSAT score using the equation below. Companies should strive for an eSAT score of 75% or greater.

(Number of Satisfied % Very satisfied employees) % (Total number of responses) x 100 = eSAT

Happier employees, happier customers

Automated OM solutions offer a much-needed antidote for low eSAT scores. By transitioning away from data entry, employees are free to focus on more fulfilling and impactful activities such as:

- Relationship building and nurturing CX initiatives with your most strategic customers
- Reengaging with inactive/formerly disgruntled customers
- Cross-selling and/or upselling
- Proactive communication regarding shipment status, partial shipments and more

A recent Gallup report shows that companies with "engaged" workers have a

compared with those with "miserable" workers.

08 Cost to Serve

Cost to Serve (CTS) is a comprehensive KPI that provides a forensic view into the specific factors involved in delivering a good or service to a customer (i.e., what the true margins are at the product, SKU, customer and channel level) — all of which contribute to overall success and competitiveness of a company.

Why it matters

Today's B2B Customer Service teams are feeling the heat: External pressures (supply chain disruptions, labor shortages, economic worries, etc.) combined with increasing and evolving customer demands make CTS an incredibly powerful tool for cost and profitability management.

Developing a robust CTS analysis enables companies to pinpoint which customers are/aren't positively contributing to the bottom line and make strategic decisions based on the findings to drive continuous improvement.

How to calculate

Unlike other OM KPIs highlighted in this ebook, CTS casts a much wider data net and can't be tied to a single mathematical equation. With that being said, the process is relatively straightforward:

1. Identify what activities (quoting, order-taking activities, etc.) are necessary to service and maintain each customer.
2. Approximate cost of doing each activity.
3. Identify a value that each customer comprises of these activities and perform cost allocation.

Improving CTS in an OM context

B2B Customer Service teams can't control every contributing factor across the value chain that impacts CTS. However, what they can control in the OM process can make a transformative impact — especially with the aid of AI-driven automation solutions. Freeing your team from the drudgery of manual OM activities reduces the:

- Amount of average touches on an order and other common points of "friction" (navigating disparate systems, working with various spreadsheets, etc.)
- Average handling time for each order, particularly for high-involvement cases like change orders, which are often associated with unnecessary costs)
- Other B2B Customer Service costs associated with fulfillment errors and communication snafus, reliance on paper, printers and ink, and loss of customer trust

Examine the ROI and cost savings one med device company achieved automating its OM process in Forrester's Total Economic Impact (TEI) study, including:

274%
return on investment

$978.7k
net present value

Read Forrester TEI study

Conclusion

Tracking OM KPIs is imperative for any B2B Customer Service team interested in analyzing and improving its performance. But remember: KPIs are not a magic wand or secret formula that instantly equate to success. Maximizing their impact requires alignment of all key stakeholders and ongoing evaluations as to what KPIs are most well-suited to your company's needs.

Most of all, effectively tracking OM KPIs requires some form of digital support — specifically, AI-assisted automation solutions that not only facilitate the accessibility and visibility into KPIs, but ultimately help you improve them over time by improving the very people, processes and technology they reflect.

Want to learn more?

Here is some related content you may be interested in:

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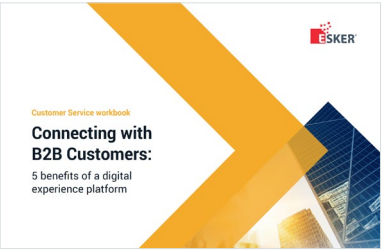

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Hi, we're Esker

Founded in 1985, Esker is a global cloud platform built to unlock strategic value for Finance, Procurement and Customer Service leaders and strengthen collaboration between companies by automating source-to-pay (S2P) and order-to-cash (O2C) processes.

39

years of experience with 20+ years focused on cloud solutions

1,000+

employees serving 850k+ users & 2,500+ customers worldwide

15

global locations with headquarters in Lyon, France, & Madison, WI

€178.6

million in revenue in 2023, with 90+% of sales via SaaS activities

Business success is best when shared

At Esker, we believe the only way to create real, meaningful change is through positive-sum growth. This means achieving business success that doesn't come at the expense of any individual, department or company — everyone wins! That's why our AI-driven technology is designed to empower every stakeholder while promoting long-term value creation.

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