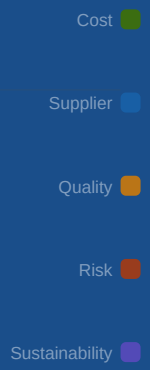
DEN OTTER SOLUTIONS

denottersolutions.com



FREE DOWNLOAD · PROCUREMENT & SPEND

KPI Checklist

Procurement & Spend

10 procurement KPIs with formula, sector benchmarks and a Power BI implementation tip per KPI.

10	5	3+	Free
KPIS	CATEGORIES	SECTORS	NO REGISTRATION

From complexity to insight through data

How to use this checklist

Work through each KPI and score yourself: are you measuring this already? Is there a dashboard? Is the data source missing? Use the benchmarks as a guide — not as an absolute standard. Every sector, spend volume and supplier structure has its own norms. Questions about your specific situation? Get in touch via the website.

CATEGORIES IN THIS CHECKLIST

- Cost
- Supplier
- Quality
- Risk
- Sustainability

01 Spend Concentration (Supplier Concentration)

RISK

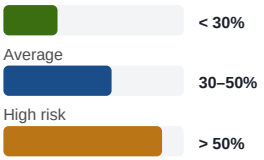
DEFINITION
The percentage of total procurement spend concentrated among the largest suppliers. High concentration increases dependency risk.

WHY MEASURE?
If more than 50% of procurement spend sits with three suppliers, a single disruption or insolvency is enough to impact operations. Diversification is not a luxury — it is risk management.

FORMULA

(Spend with top-N suppliers
÷ Total procurement spend) × 100%

BENCHMARK BY SECTOR



WHAT DOES THIS KPI TELL YOU?
Spend concentration is not inherently negative. Strategic concentration with one reliable supplier can yield advantages in pricing and fulfilment priority — provided it is a deliberate choice, backed by a contract.

PBI **POWER BI IMPLEMENTATION TIP**
Visualise spend per supplier as a treemap or waterfall chart. Flag suppliers above 20% of total spend as 'critical' and link to contract status and identified alternatives.

02 Supplier On-Time In Full (OTIF — Inbound)

SUPPLIER

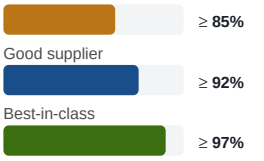
DEFINITION
On Time In Full — the percentage of inbound deliveries received both on time and complete in accordance with the purchase order.

WHY MEASURE?
Low OTIF forces higher safety stock and emergency orders. Every deviation costs time in the goods-receipt process and disrupts downstream planning.

FORMULA

(Deliveries on time and in full
÷ Total inbound deliveries) × 100%

BENCHMARK BY SECTOR



WHAT DOES THIS KPI TELL YOU?
An OTIF of 80% means 1 in 5 deliveries has a problem. At 10 deliveries per week that is two exceptions every week — a structural operational burden that never appears as a separate cost line.

PBI **POWER BI IMPLEMENTATION TIP**
Rank suppliers by OTIF score each quarter. Red below 85%, amber below 92%, green above 92%. Export as a table for supplier review meetings — data makes negotiation concrete.

03 Average Order Lead Time

SUPPLIER

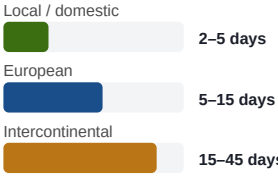
DEFINITION
The average number of working days between placing a purchase order and physically receiving the goods at the delivery location.

WHY MEASURE?
Longer lead times require higher safety stock and reduce flexibility when demand varies. Insight into actual versus expected lead times directly informs reorder frequency.

FORMULA

Average of (goods-receipt date
– order placement date) in working days

BENCHMARK BY SECTOR



WHAT DOES THIS KPI TELL YOU?
Lead time variability is often more dangerous than average lead time. A supplier averaging 10 days with a range of 5 to 20 days is harder to plan around than one consistently delivering in 14 days.

PBI **POWER BI IMPLEMENTATION TIP**
Display lead time as a line chart per supplier showing minimum, average and maximum. Wide variation signals capacity constraints or quality issues at the supplier.

04 Purchase Price Variance (PPV)

COST

DEFINITION
The percentage deviation of the actual purchase price from the agreed reference price or contract price for the same items.

WHY MEASURE?
Positive variances (higher than reference) directly erode gross margin. Negative variances are savings that can be reported to management as procurement's contribution to profitability.

FORMULA

(Actual purchase price – Reference price) ÷ Reference price × 100%

BENCHMARK BY SECTOR

Excellent	< ± 2%
Acceptable	± 2–5%
Concerning	> ± 5%

WHAT DOES THIS KPI TELL YOU?
Measuring PPV without a clearly defined reference price is meaningless. Define the baseline first — contract price, prior-period price or market price. That choice determines how results are interpreted.

PBI **POWER BI IMPLEMENTATION TIP**
Calculate per item and supplier. Display variance as a +/- percentage with threshold markers. Link to contract periods to reveal whether price deviations coincide with contract expiry dates.

05 Spend Under Contract

RISK

DEFINITION
The percentage of total procurement spend covered by an active, valid contract with a supplier.

WHY MEASURE?
Spend outside contract means higher prices, no quality or delivery guarantees, and elevated compliance risk. Every percentage point of additional contract coverage directly reduces operational risk.

FORMULA

(Spend covered by active contract ÷ Total procurement spend) × 100%

BENCHMARK BY SECTOR

Low	< 40%
Average SME	40–70%
Best practice	> 70%

WHAT DOES THIS KPI TELL YOU?
A contract coverage of 40% means half of all procurement is effectively managed on an ad hoc basis. That costs more, protects less, and provides no negotiating position when suppliers raise prices.

PBI **POWER BI IMPLEMENTATION TIP**
Show spend per supplier with contract status (active, expired, no contract). Flag expired contracts with their expiry date as an action list for buyers — visibility drives behaviour.

06 Days Payable Outstanding (DPO)

COST

DEFINITION
The average number of days a company takes to pay its suppliers after receiving an invoice. Also known as creditor days.

WHY MEASURE?
Longer payment terms improve the cash conversion cycle and reduce the need for working capital financing. Paying too early is a silent liquidity leak — money leaving before it needs to.

FORMULA

(Outstanding accounts payable ÷ Cost of goods sold) × 365 days

BENCHMARK BY SECTOR

Too short	< 30 days
Market standard	30–60 days
Well negotiated	> 60 days

WHAT DOES THIS KPI TELL YOU?
Optimising DPO is a balancing act: paying too late damages supplier relationships and can lead to fulfilment problems. The optimal DPO is what is contractually agreed — no more, no less.

PBI **POWER BI IMPLEMENTATION TIP**
Segment payables by payment status: within terms, early and late. Paying too early is at least as relevant as paying late — both cost money or relationships, and both are preventable with the right insight.

07 Spend by Category

COST

DEFINITION
The distribution of total procurement spend across purchasing categories, based on Pareto logic — comparable to ABC analysis for inventory.

WHY MEASURE?
Without categorisation, procurement spend is a black box. Category spend analysis makes it visible where the most money goes and where procurement effort delivers the highest return.

FORMULA

Spend per category ÷ Total procurement spend × 100%
(A = top 20% of categories ≈ 80% of spend)

BENCHMARK BY SECTOR

A-categories	60–70%
B-categories	20–30%
C-categories	< 10%

WHAT DOES THIS KPI TELL YOU?
C-categories (many suppliers, little spend) often consume disproportionate buyer time. Consolidating to fewer suppliers per C-category is low-hanging fruit for efficiency and cost reduction.

PBI **POWER BI IMPLEMENTATION TIP**
Build a spend cube: category on the X-axis, supplier on the Y-axis, spend as colour intensity. This surfaces consolidation opportunities without any complex calculation — ideal as a starting point for procurement reviews.

08 Incoming Rejection Rate

QUALITY

DEFINITION
The percentage of goods received that are rejected at inbound inspection due to quality, specification or packaging deviations.

WHY MEASURE?
Inbound rejections immediately disrupt production or distribution planning. The processing cost of return shipments, reinspection and emergency reorders can be three to five times the value of the rejected goods.

FORMULA

(Units rejected at inbound inspection
÷ Total units received) × 100%

BENCHMARK BY SECTOR

Best-in-class	< 0.5%
Acceptable	< 2%
Problematic	> 3%

WHAT DOES THIS KPI TELL YOU?
A rejection rate of 2% sounds small — but at 500 inbound order lines per month that is 10 exceptions, each with associated administration, return logistics and replacement orders consuming lead time.

PBI **POWER BI IMPLEMENTATION TIP**
Categorise rejection reasons: dimensional deviation, visible damage, wrong item, incomplete documentation. Link to supplier and production batch to identify root-cause patterns that would otherwise remain invisible.

09 Realised Procurement Savings

COST

DEFINITION
The percentage saving realised relative to the reference price, multiplied by the purchase volume in the measurement period.

WHY MEASURE?
Realised savings are the most direct measure of procurement's added value. They make procurement performance visible and comparable over time and between buyers.

FORMULA

(Reference price – Actual price) × Volume
÷ (Reference price × Volume) × 100%

BENCHMARK BY SECTOR

Minimum	1–2%
Good	2–5%
Excellent	> 5%

WHAT DOES THIS KPI TELL YOU?
Measuring savings requires a reliable reference price. Without that foundation, savings are nothing more than an assumption. Define the reference before the year begins — adjusting it afterwards is not credible.

PBI **POWER BI IMPLEMENTATION TIP**
Show realised savings per buyer and per category, cumulatively over the year. Combine with spend volume per category to identify where savings potential remains untapped.

10 Supplier Sustainability Score

SUSTAINABILITY

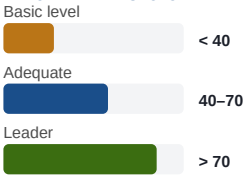
DEFINITION
A composite score assessing supplier performance on environmental, social and governance criteria, expressed as a weighted percentage.

WHY MEASURE?
Regulation such as CSRD is increasingly requiring SMEs to report on their supply chain. A sustainability score makes compliance risks visible before they become obligations.

FORMULA

Weighted average of supplier scores on environment, social and governance (0–100)

BENCHMARK BY SECTOR



WHAT DOES THIS KPI TELL YOU?
A sustainability score is not a destination — it is a starting point for conversation with suppliers. A low score is not an immediate reason to end the relationship, but it is a signal to ask what improvement plans are in place.

PBI **POWER BI IMPLEMENTATION TIP**
Build a simple supplier assessment form with three to five questions per domain. Display scores per supplier as a heatmap — colour by score, size by spend. This makes priorities immediately visible.

NEXT STEP

Ready to put these KPIs to work in your organisation?

Den Otter Solutions builds procurement and spend dashboards for SMEs in manufacturing, distribution and professional services. From ERP connection to spend analytics dashboard — including all 10 of these KPIs implemented in your own Power BI environment. We always start with a Data Start Scan to map the current situation and estimate build time realistically.

→ **denottersolutions.com/services/**