

Aggregate and prime measures essay

[Business](#), [Industries](#)



These activities center on three broad categories referred to as Business Domains in the Framework description.

The three business domains are: Demand Management All the actionable activities involved with generating demand for the products and services offered by the organization. Supply All the actionable activities directly involved with satisfying demand for the products and services offered by the organization. Support Services All other actionable activities involved with supporting the organization. These services operate within organizations by providing services to internal clients. They operate on business principles and provide internal services at a cost and quality that is acceptable to its clients, when assessed against alternatives. It is necessary to consider all domains of an organization in order to determine the effect on business value of specific initiatives. The metrics are organized into a Framework that is designed to apply to corporations within a specific industry. This is made possible by a flexible architecture consisting of Aggregate and Prime measures.

The Aggregate and Prime Measures used in the Framework are grouped by high-level business Domain: Demand Management, Supply Management, and Support Services. The following table contains the generic key performance indicators for all industries. Following the table the standard definitions and calculations are provide the Aggregate and Prime Measures.

Standard Key Performance Indicator	Industries (common)	Aggregates	Prime Metrics	Business Domain
Market Management	Responsiveness	Sales Effectiveness	Product Development	Customer Ta regret
Market Coverage	Market Share	Opportunity/ Index	Threat	Product Portfolio
Channel				

Configurable Profitability Index ability Sales Opportunity Sales Cycle Sales Close Sales Price Cost of Sales Forecast Accuracy Retention Index New Products Feature Function Time to Market R&D Success On-Time Order Fill Material Service Delivery Rate Quality Customer Care Agreement Transformation Performance Ratio Supplier Supplier On-Time Supplier Order Fill Rate Material Quality Care Operational Cash to Cash Conversion Asset Sigma Efficiency Cycle Time Cost Utilization Value Human Recruitment Benefits Skills Employee Resources Administration Inventory Training Responsiveness HER Advisory HER Total cost Information Systems IT Support Partnership Service Level Technology Responsiveness New Projects IT Total Cost Index Finance & Compliance Advisory Cost of Service Regulatory Demand Management Market Responsiveness

Definition: Activities measured by this aggregate are entirely contained business domain of Demand Management. Activities measured by Market Responsiveness are distinct from the other aggregates within this business (see definitions of Product Development Effectiveness and Sales Effects). Activities measured by Market Responsiveness involve identifying and customer needs, now and projected into the future, in current and target (driven by the strategic plan), identifying and validating competitive opportunities in those markets, developing and delivering appropriate messages to convey the value of the goods and services offered by the organization.

Measurement Guidance: Using our definition of Demand Management Responsiveness, the activities measured by this aggregate affect various domains of the organization. Driven by the strategic plan for the organization, Demand Management - Market Responsiveness, begins to translate a plan into actionable, measurable activities.

Knowing your customers as your friends close and your enemies closer -? is what drives the opera of most businesses. Calculation: Primer x Primer x Primer x ..

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. Prime section, we will identify candidate Prime measures for each aggregate. Among this pool of Primes that the calculation for each aggregate will All Primes will be expressed as percentage to perform this calculation. Implication: Once again this varies by organization and industry. Once an organization has selected the appropriate Prime measures from among the pool available for Demand Management - Market Responsiveness, the business assessment tool can be used to determine the baseline performance and financial impact of changes to this aggregate measure Value Impact: The value of Demand Management - Market Responsiveness varies by organization and industry. In general, the more competitive or volatile a market is, the more significant Demand Management - Market Responsiveness becomes. An industry example is consumer-packaged goods (JPG). Demand Management - Marker Responsiveness may have the single biggest effect on financial performance from among all the aggregate measures for these types of products.

Standard Primes (Generic): Target Market Index, Market Coverage Index, Market Share Index, Opportunity Threat Index, Product Portfolio Index, Channel Profitability Index, Configurability Index Target Market Index

Definition: Target Market Index reflects the organization's decisions regarding the size and growth definition rates of the markets it participates

in. Calculation: Target Market Index = Relative Market Size X (1 + Relative Market Growth Rate) where: 0 Relative Market Size = Sum (target market industry revenue) / (Normalized industry revenue) 0 Target market industries are selected using ' SIC codes based on current, plus planned and budgeted product/service offerings over the next year 0 Relative Market Growth Rate = weighted average growth of targeted industries Market Coverage

Definition: Market Coverage Index shows the reach of sales to generate revenue in countries where market demand exists. A physical presence in the country where the sale occurs is not required. Each country is weighted by the size of revenue generated for the market(s) the company participates in. Calculation: Market Coverage Index = (Number of countries organization sells in weighted by size of revenue) / (Target market global industry revenue)

Market Share Index Definition: Market Share Index shows the relative strength and influence of the organization in the definition markets it currently participates in.

Calculation: Market Share Index = (Revenue of organization's offered products and services) / (Total revenue of SIC-code selected industries)

Opportunity/Threat Index Definition: The Opportunity/Threat Index shows the potential to grow or shrink market share based on the level of competition in the industries in which the organization participates Calculation:

Opportunity/Threat Index = Sum (Market Share Index for top five revenue leaders) Note that the organization may or may not be one of the top five, so this is more of a " barometer for the industry. "

Product Portfolio Index Definition: The Product Portfolio Index identifies and validates current and projected customer needs in existing and targeted markets. This metric

shows the product portfolio by size and margin contribution. The underlying assumption is that high- margin products serve customer needs better than low-margin products, and that high growth rates indicate that customer needs are being met.

The index combines these factors to create a metric that shows a company's ability to serve customer needs compared with its industry peers.

Calculation: Product Portfolio Index = $\frac{\text{Sum \{Revenue of products where [(g > G/2) \text{ AND } m > M/2]\}}}{\text{Sum \{Revenue of all products\}}$ Where: G = product with highest growth rate g = growth rate of each individual product M = product with highest gross margin m = gross margin of each individual product
 Channel Profitability Index Definition: The Channel Profitability Index identifies and evaluates alternative methods to reach and serve customers in current and targeted markets. Calculation: Channel Profitability Index = $1 - \frac{\text{Sum (direct costs) * company total revenue}}{\text{company total revenue}}$ where direct costs are, for example: commissions, dealer discounts, finder's fees, internal support costs.
 Configurability Index Definition: The Configurability Index shows the company's ability to identify and satisfy the specific needs of customers in current and targeted markets. Calculation: Configurability Index = $\frac{\text{Sum of revenue from product options}}{\text{Total company revenue}}$.

A -? product option] is defined as a feature or function that must be purchased as part of a basic product or service, but is not required for the basic product or service to function. Sales Effectiveness Definition: Activities measured by this aggregate are entirely contained within the business domain called Demand Management. Activities measured by Sales

Effectiveness are distinct from the other aggregates within this business domain (see definitions of Product Development Effectiveness and Market Responsiveness). Activities measured by Demand Management - Sales Effectiveness involve optimizing all customer (including potential customers and prospects) relationships based on the marketing message and unique capabilities of the organization. Included in these activities, is providing information used to forecast specific customer needs for the products and services offered by the organization. Measurement Guidance: Using our definition of Demand Management - Sales Effectiveness, the activities measured by this aggregate are required by all organizations offering products and services to independent customers. Customer relationships are the most important relationships in an organization. Managing them effectively in changing environments is essential to the success of the organization.

Calculation: Primer x Primer x Primer x ...

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All Primes will be expressed as percentage to perform this calculation
Financial organization has selected the appropriate Prime measures from among the pool available for Demand Management - Sales Effectiveness, the business assessment tool can be used to determine the baseline performance and financial impact of changes to this aggregate measure.

Value Impact: An acceptable level of Demand Management - Sales

Effectiveness is essential in all organizations and industries. Even in a monopoly (such as a local cable company in the US) must be concerned with Demand Management - Sales Effectiveness, because disenfranchised customers will find alternatives at some point. Demand Management - Sales Effectiveness is a necessary condition for organizational success.