# Primary Distributor Backorder Percentage Rate

## Purpose:
Measure the percentage rate of backorders for your primary distributor.

## Value:
Enables supply chain to have collaborative and meaningful discussions with suppliers to aid in collaborative goal setting and potential diversification of suppliers and products.

## Equation:

**Number of PO lines on back order with your primary distributor**
÷
**Total number of PO lines submitted to your primary distributor**
=
**Primary Distributor Backorder Percentage Rate**

## Example:

- A hospital's total PO lines for the primary distributor is 1,000.
- Of those lines, the number of backorder is 100.

100 ÷ 1,000 = **10% Primary Distributor Backorder Percentage Rate**

## Input Descriptions and Sources:

| Input Name | Includes | Excludes |
|---|---|---|
| Total number of PO lines submitted to your primary distributor | If you have a "Fill or Kill" program set up with your primary distributor, please tabulate total PO Lines submitted to them this month. If you DO NOT have a "Fill or Kill" program set up, please tabulate total PO lines submitted to your primary distributor as required (e.g. daily, weekly basis). | POs to all suppliers which are not EDI capable. |
| Number of PO lines on back order with your primary distributor | The total PO lines on backorder, consisting of: PO lines not shipped at all, PO lines not arriving at expected arrive date and PO lines not shipped in full. | PO lines received in full, or, received at or prior to estimated arrival date. |

**Points of Clarification:**

- Any order that does not ship in full should be considered a backorder.
- This calculation is not intended as a measure for Supply Chain to monitor internal backorder rates (i.e., their ability to fill internal requisitions).
- This calculation includes only your primary distributor, but can be repeated as a separate exercise for other distributors and/or suppliers.
- The calculation can be used at the individual stock-keeping unit (SKU) level, category level or individual supplier level.
- Equation includes all back-ordered lines and does not specifically call out exceptions, such as wrong item ordered, rejection or deleted or allocation changes. In order to reduce backorder rates by these items, remove these lines under the "back-ordered line category."
- PO lines ordered is inclusive of inventory and non-stock items.
- The percentage of purchase order (PO) lines that cannot be delivered at the scheduled time but will be delivered at a later date.

**References:**

- KPI Library, percent of backorders