

Targeted Cost to Serve

The single, workload-adjusted metric that finally bridges warehouse operations and finance — giving executives one truthful number to lead from.

KPIs that finance uses to judge operational performance

Finance sets cost targets top-down — based on forecasted sales, projected volumes, and average order profiles. Operations is measured against those targets month after month. But the actual work almost never matches the forecast.

The budget assumed average conditions. But there is no average day. One week it's bulk pallets, the next it's small mixed ecommerce orders that cost twice as much to fulfill. Sales made a promise that changed the workflow — it cost \$50,000 more than finance forecasted — but the budget didn't move.

The result: operations leaders who are genuinely outperforming get told their numbers are terrible. We have seen ops leaders threatened with their jobs for “missing cost targets” — when they were actually exceeding performance on work far harder than what the static budget assumed.

Introducing Targeted Cost to Serve (TCTS)

The problem isn't that operations is underperforming. It's that the budget never adjusts to reflect the work operations was actually asked to do.

TCTS fixes this. It works like an activity-based budget that moves in real time. Your warehouse was budgeted for \$100,000 of expected cost in January. But your throughput mix and volume weren't what the forecast assumed — you got smaller orders, harder SKU mixes, more complex customer requirements. TCTS calculates what that work should have cost. That's your earned budget. Compare what you spent against what you earned — and for the first time, you know whether operations actually performed.

You already manage labor productivity to 100%. TCTS applies the same logic to cost. 100% means you spent what the work should have cost. 93% means you're beating your earned budget. 107% means you're over — and you can drill into why.

Metrics that mislead



Cost per unit (or case) shipped

The CFO measures cost per unit out of the facility — simple, clean, and wrong. Finance targets \$0.80 per unit based on mostly case and pallet picks. Product mix shifts toward each-pick ecommerce — same volume, far more touches per unit. Cost rises to \$0.92. The metric assumes all units cost the same to handle. They don't.



Cost per unit by facility

Site A shows \$4.50 per unit shipped through the facility, while Site B shows \$5.50. But Site B is actually better managed because they are handling tougher product mix more efficiently with higher productivity and better utilization.



Total labor spend

Productivity went up 20%. Finance expected costs to go down. Instead, they went up — the workflow shifted to smaller, choppier orders. Higher productivity and higher cost can happen simultaneously. You cannot assume productivity gains will reduce total labor spend when the workload itself becomes more demanding.

*“Given **the work** we were actually asked to perform, did we execute it at **the cost** we should have?”*

Your targeted cost

(Earned budget)

What the work should have cost — based on actual mix, volume, and complexity. Moves automatically as the workflow changes.

Your actual cost

(What you spent)

Fully loaded cost incurred — labor, overhead, everything. Captured in real time, not reconciled weeks later.

Your TCTS %

(Cost performance ratio)

Actual ÷ Targeted. Under 100% = beating your earned budget. Over 100% = over, and you can see why.

SAME COST. TWO VERDICTS.

What Finance Sees				What TCTS Reveals			
\$1.75 cost per order	Budget \$1.50	Variance +17%	1 line, 1 unit each (assumed)	\$1.75 cost per order	Earned Budget \$2.00	TCTS % 88%	2 lines, 1 unit each (actual)
Over budget by 17% “Your costs are out of control.”				88% of Target – Under Budget “Your team outperformed on harder work.”			

The work got harder. The budget didn’t move. TCTS did.
 Sales made the promise. The workflow changed. Now you can prove what it should have actually cost.

One Metric. Three Levels of Visibility.

TCTS (Targeted Cost to Serve) gives your leadership team a single cost performance number at every level of the operation. You manage to one number — and drill down from there.

<p>LEVEL 1 Facility “Are we doing a good job?”</p> <p>One number per building. Is this facility earning its budget or burning through it? Compare sites fairly — each target reflects that facility’s actual workload.</p>	<p>LEVEL 2 Customer / product family “Where is margin eroding?”</p> <p>For 3PLs, see cost performance by customer. For OEM shippers, by product family. Know where you’re making money and where you’re losing it.</p>	<p>LEVEL 3 Process “What’s driving the variance?”</p> <p>Drill into the specific operations driving a cost overrun. See in real time whether the cause is productivity, overtime, missing time, rush orders, or order profile shifts.</p>
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What Changes in Your Organization

BEFORE TCTS — THE ARGUMENT	AFTER TCTS — THE CONVERSATION
<p>Finance: “You’re over budget by \$50,000 this month.”</p> <p>Ops: “The work was harder — smaller orders, more complex mix.”</p> <p>Finance: “I don’t see that in the numbers. The budget is the budget.”</p> <div style="background-color: #e0e0e0; padding: 5px; margin-top: 10px;"> <p>The conversation ends in frustration. Ops can’t prove what they know. Finance can’t see what they’re not measuring.</p> </div>	<p>Ops: “Our earned budget for the actual work was \$550K. We came in at \$525K — 95% of target.”</p> <p>Finance: “So the work cost \$50K more than forecast, but the team saved \$25K against what it should have cost?”</p> <p>Ops: “Exactly. And I can show you where.”</p> <div style="background-color: #e0e0e0; padding: 5px; margin-top: 10px;"> <p>Same month. Same cost. Both sides looking at the same number. For the first time, Ops gets credit for the work they did.</p> </div>

One Metric to Govern Your Entire Network.

Instead of reconciling 20 KPIs across facilities with different profiles, automation levels, and labor markets, TCTS gives you one comparable number: is each facility earning its budget or not? A site consistently at 92% is doing something structurally right. A site at 112% has a real problem — and with TCTS you can drill down in real time to determine the root cause.

No more excuses. No more hero stories. One number, comparable across every facility in your network.

About Easy Metrics

Easy Metrics is a cloud-based warehouse performance management platform that unifies operational data to deliver real-time visibility across your network. We empower operations leaders to optimize labor, reduce costs, and improve productivity by connecting performance metrics to financial outcomes.

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www.easymetrics.com

- ✓ **Runs on existing WMS data**
No new sensors, scanners, or data collection hardware
- ✓ **No separate BI project**
TCTS is built into the platform, not bolted on
- ✓ **Weeks, not months**
Configured to any Easy Metrics deployment
- ✓ **Self-adjusting targets**
Recalculates automatically as work mix change