

How to manage 3PL relationships

24th November 2009



Outsourcing and Procurement Forum

Forum Mission Statement:

- ➤ To initiate original thinking and discussion in areas of outsourcing and procurement, relating to the supply chain
- ➤ To produce papers and reports and set up events and workshops on subjects identified by the membership of the Forum and other CILT(UK) members
- ➤ To produce at least two newsletters per annum

http://www.ciltuk.org.uk/pages/oandpforum



Programme

0900 hrs 0945 hrs	Coffee and Registration Welcome and Introductions
05451115	Gwynne Richards FCILT O&P Forum Chairman
1000 hrs	Steve Whyman We Comply Founder/Director
	How to manage 3PL relationships – setting the scene
1030 hrs	Daniel Wallace Boots Supply Chain Manager - Christmas
	and Boots.com An operational viewpoint
1100 hrs	Jo Godsmark Labyrinth Director
	Managing 3 rd party relationships – a buyer's perspective
1130 hrs	Coffee
1145 hrs	Phil Wood Cadbury Trebor Bassett Head of Distribution B&I
	How to manage 3PL relationships
1215 hrs	Craig Mulholland Norbert Dentressangle Programme
	Director M & S
	A 3PL perspective
1245 hrs	Panel discussion
1315 hrs	Lunch and networking
1400 hrs	Close

The Chartered Institute of Logistics and Transport (UK)

2009 3PL Provider CEO Perspective survey

- CEOs noted more adversarial relationships with approximately one-quarter of their customers due to recession pressures;
- However more collaborative relationships were reported with 20% of European customers



What's my view?

- Relationships matter...but you can't take me to the Races!
- We need to learn...we need inspiration and innovation...show me
- Don't sell me what YOU want, show me what I NEED
- Earn your keep





How to manage 3PL relationships or How to manage customers

Steve Whyman FCILT WeComply Ltd



Agenda

- What are the issues?
- Why are you outsourcing?
- Costs versus value
- Relationship management
- Summary



Background

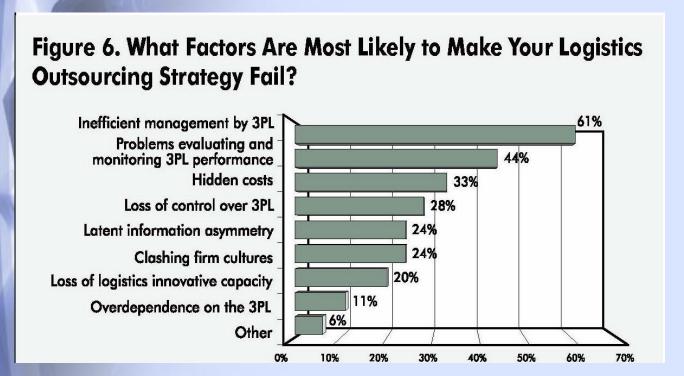
We often complain and are disappointed but many of us still outsource or intend to outsource in the near future.

- 10 years own account
- 10 years in 3PL
- 3 years Consultant
- Seen the challenge and opportunity from several perspectives – customer, provider, advisor.
- How many people use outsourcing?
- How many people are thinking about outsourcing?
- How many people are unhappy with their experience of outsourcing?

Why does it fail?



A recent study asked what are the major causes of failure in outsourcing relationships?



Source: Eye for Transport

- Customers believe that the 3PLs are at fault
- Even with the investment in contract management, KPIs etc there can still be issues with performance monitoring and evaluation

Maturity curve



The user / provider relationship is not always a happy one – there is a maturity curve evident in many outsourcing relationships.

Expectation



Realisation



Stagnation



Frustration

User

- High expectation of business benefits to come
- Excitement over new relationship and change agenda
- Enthusiasm for tender/ selection process

- Implementation more difficult than expected
- Increased costs reduce benefits/payback
- Process/relationship strained
- Day to day operation stable but staid
- Incremental / continuous improvement delivers small YOY improvements
- Lack of innovation from the provider
- Need for step change improvement prompts review of relationship
- Incumbent given the opportunity to bid but tainted by the past
- Potential for a new partner generates renewed enthusiasm

Provider

- Excitement over new relationship and change agenda
- Enthusiasm for tender/ selection process
- "Best team" put forward for the bid process
- Implementation more difficult than expected underestimated the scale of change
- Increased costs mean profitability impacted
- Unrealistic client expectations on time to deliver benefits
- Good solid operational delivery but not valued by the customer – day job
- Continuous improvement delivered but never enough
- Ideas put forward not listened to but told we lack innovation
- Despite long relationship and solid operational delivery customer goes to tender
- Detailed knowledge of the operation means our tender more realistic – but seen as expensive

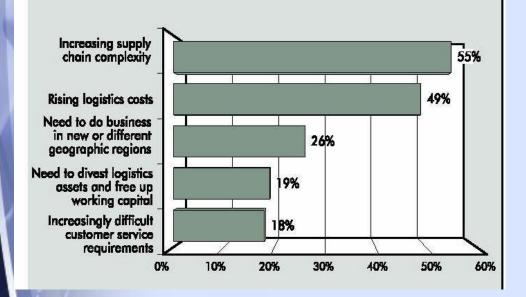
Clarity of purpose



Clarity of purpose is critical to success – why are you outsourcing?



Source: Aberdeen Group 2008



- Complexity and cost pressures emerged as the major drivers of outsourcing decisions
- The need for access to new capabilities/scale e.g. market entry also featured.
- Will be interesting to see if other factors have moved up the list during 2009 e.g. working capital

Avoid confusion



Clarity on what success looks like is important – start with the basics and grow into the partnership

Expectation

- Outsourcing to improve professionalism of all operations
- Desire to "shake up" a difficult IR situation
- Drive for lower unit costs to improve cost to serve
- Strategic relationship with join marketing initiatives









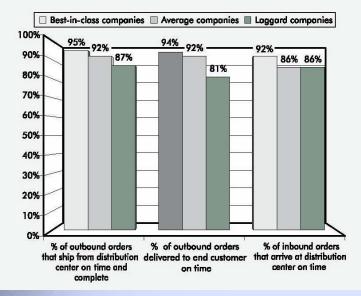
- Partner selected for process expertise rather than sector experience
- Operational failures strengthened the employees resolve
- Unit costs comparable with in house operations
- Tactical relationship

Is it all about costs?



Setting an expectation of significant cost reduction solely through outsourcing may be unrealistic and can lead to failure.

Figure 1. Top Companies Also Achieve High Customer-Service Levels



Source: Aberdeen Group 2008

- Only 20% of "best in class" companies achieved a cost reduction through outsourcing (av. 3%)
- Others saw a neutral to negative position on costs
- However, the "best in class" companies also experienced improved customer service through outsourcing

It's really about value



The key to a successful relationship is understanding the sources of value (not just cost) and how they are delivered

Define

- Value is relative understand both perspectives
- Value expectations can change over time – understand when there is a change
- Value can be both Corporate and personal – be clear on the value drivers
- Value can be both quantitative and qualitative – but should always be measured
- Unambiguous who created the value and who has ownership

Capture

- Align operational plans to deliver value – not just operational "day job"
- Corporate and personal incentive alignment with the agreed drivers of value
- Continuous review of value drivers and re-prioritisation

Measure

- Value is defined over a number of metrics – balanced scorecard
- Alignment of value measures is critical – use the language of the customer
- Operational KPIs may not always have a direct link to value created
- Metrics may cover areas outside direct operational activities

Redefining value



Re-assessment of the value of a relationship when it goes wrong can lead to recovery

Initial value definition

- Substantially lower unit cost than in-house
- Operational excellence
- Continuous improvement methodology

Revised value definition

- Shift to variable cost from fixed
- Flexibility to grow space without contractual commitment
- Baseline operational delivery "a given"



Pace/flexibility

Value leakage



The traditional approach to outsourcing can lead to unintended "value leakage" and dissatisfaction.

Define strategy Design solution Tender & procure Implement Operate

- Tendering is often an exam question not the real answer
- What is the basis of selection price, value, short term, long term?
- Who is best placed to design the solution? Collaborate and share
- Leading edge or bleeding edge risks versus certainty

Measuring value



Customer and provider performance measures are not always aligned leading to friction

Retail Customer

- Costs as a % of sales
- Fixed cost / variable cost split and YOY change
- YOY cost increase versus YOY sales increase
- Inventory value change versus sales value change YOY
- Freight costs as a % of COGS
- Costs as a % sales new stores versus LFL stores
- Waste costs (product/late delivery etc)
- Segmented cost to serve e.g. product / store format / channel
- On shelf availability/lost sales opportunity

Consumer/investor centric



Provider

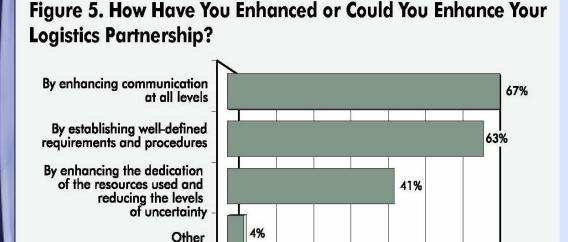
- Logistics costs absolute
- Cost per line / order
- Units / cases per man hour
- Management fee /incentive won/lost
- % pick accuracy
- Service level delivery to schedule
- Direct / indirect hours
- Lost time / cost
- Cost per pallet core / seasonal flex

Operational centric

Investing in the relationship



Improving communication and clearly defining the requirements are foundations for a successful long term relationship



10%

Source: Eye for Transport

20%

30%

40%

50%

60%

70%

- 67% of companies surveyed cited communications as an opportunity for improvement
- 63% felt that improved requirements and procedure definition would help
- Arms length management of outsourcing will foster silo behaviour

Communication



Day to day communication is another critical success factor however robust account planning is often overlooked or poorly executed

Customer business plan

- Provider plan an output from the logistics strategy – stick or twist!
- Expect the provider to drive the account planning process
- Reluctant to share commercial data and business plans

"how many companies are you people?!"

Provider account plan

- Sales planning document
- High level customer overview then focus on contract specifics
- Relationship mapping based on "one for one" marking

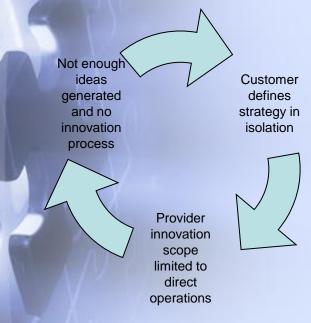
"I thought I was working with a big organisation"

- Planning without business and market context is sub optimal
- Account planning is not sales planning
- Improved communications means at all levels, operational, commercial, finance and the Board

Innovation



Lack of innovation is often quoted as the primary reason for dissatisfaction and the need to change partner



Need a process to drive innovation aligned with the customer's business plan

- Customers look to the 3PL to be leading edge and challenge ways of working
- Providers feel that they are not listened to and boxed into a master/slave relationship
- Need openness about what the relationship is – partnership or supplier
- Openness and information sharing are key – you cannot innovate in a vacuum

Cultural alignment



Understanding the customer culture not just their sector is a key requirement for successful outsourcing

Customer team

- Customer personnel change lower frequency than provider
- Customer culture is a given
- Comfort with continuity of contract manager may stifle challenge and innovation
- Relationship tends to be focused on an individual at the provider rather than a broader multi-point relationship

Provider team

- Post contract the team retrenches to operational management
- Contract manager promotion means unplanned change in personnel
- Flurry of activity ahead of renewal date
- Customer has right of veto but not selection
- Customer exposed to provider organisational challenges

"Providers need to immerse themselves in the client company's culture and adapt to their management style"

"Customers need to see their 3PL as an extension of the management team rather than merely vendors"

Source: Eye for Transport

Summary



There is no one size fits all approach however there are some guiding principles

- 1. Define why you are outsourcing and what success looks like.
- 2. Define the value you want to create from outsourcing and test for realism.
- 3. Tailor the selection process and understand the benefit/cost of exambased tendering if you want a partner.
- 4. Align the commercial structures and performance metrics to drive the right behaviours.
- 5. Invest in the relationship and openly share information.



How to manage 3PL relationships

24th November 2009



How to Manage Third Party Logistics Relationships

Daniel Wallace Supply Chain Manager Boots UK





Agenda

- Introduction
- Why Outsource?
- What needs to be true for success?
- Partnership Approach
- Key Roles
- What to do if it goes wrong!
- Summary



Introduction

- Daniel Wallace Supply Chain Manager: Boots.com & Christmas
 - 15 years in Boots UK Supply Chain
 - 6 years directly with Outsourced Operations
- Boots UK Supply Chain and Outsourcing
 - Tactical outsourcing strategy until 2003
 - Major outsourcing programme in 2003
 - Supply Chain transformation 2006
 - Continued Tactical Outsourced Arrangements
 - Boots.com
 - Xmas
 - Chill
 - Transport



Introduction

- Personal thoughts based on experience and learning.
- What has worked (not worked!) for me.
- Success based on relationships and a foundation of trust.
- Who is important and how to avoid issues.



Why Outsource?

Business Context

- Is Logistics a core competence of the business?
- Does the operation detract effort from the core activity?
- An opportunity to benchmark

HR/ER/IR Context

- Requirement for influx of management expertise
- To keep IR one stage removed from the business
- Increase resource capacity without increasing corporate headcount.

Financial Context

- Opportunity to share assets (facilitate growth).
- Access to Capital



The decision must be right to make it work for both parties

What needs to be true for success?

- Something needs to be missing!
- A business will.
- Your partner must understand your business and your strategy and their role in it.
 - They must know the 'why' as well as the 'what'!
- Build strong relationships Fast!
- Both companies must benefit.
- Look after your people.



What needs to be true for success?

- Must have a Commercial Agreement
 - Should not be onerous
 - Simple and straightforward
 - Remains in the bottom draw!
- Shared risk and reward
- Must be Trust



Partnership Approach

- Why is partnership important?
- More than just a word:
 - Two way relationship
 - Collaboration and listening



- Get to know each other!
- Honest and open communication
- Clear and accurate data
- Acknowledge weaknesses and agree solutions
- Clear RACI and joint business plan
- Don't quote the contract!





Key Roles

- There are some very key roles without 'man marking' at every level.
- The 3PL The Number 1.
 - Engaged
 - Understands the business
 - Trusted
- The Business Whoever:
 - Sets the agenda (translate and prioritise)
 - Reviews the performance
 - Provides the data



What to do if it goes wrong

- Act before it goes wrong!
 - Be close enough to be aware of a deteriorating trend
 - Understand your operational critical indicators
 - Be demanding about the qualities of key people
 - make a change?
- Look Inwardly not just outwardly
 - Concentrate on the cause of the issue
 - Do not be unreasonable
 - Ensure the right people are involved (and only the right people)



Summary

- Outsource for the right reasons with total 'buy in' from your business
- Make it work for both companies
- Develop a Partnership
- Help your partner understand your business
- Get the right people in key roles





How to manage 3PL relationships

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Managing 3rd Party Logistics relationships –

a buyer's perspective

24th November 2009





Who is your buyer?















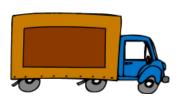






















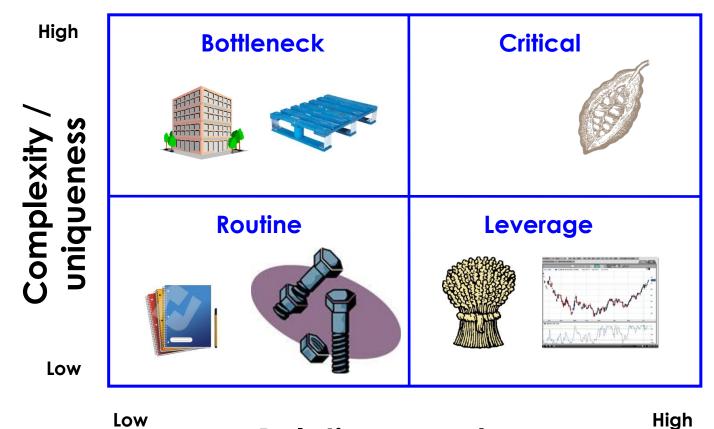


Portfolio Analysis





Portfolio Analysis



Relative spend or savings potential





Bottleneck



- Secure service
- Challenge special requirements
- Reduce complexity

Critical



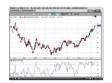
- Open book agreements
- Partnership approach
- Long term relationships
- Sharing risk & reward
- Cost modelling

Routine



- Reduce administration & relationship management
- Blanket contracts
- Group deals/volume discount
- Tariff based contracts

Leverage



- Short contracts, spot buys
- Market knowledge & analysis
- E-auctions
- Re-tendering





Bottleneck

- Factory clearance
- Factory warehouse
- Some national distribution

Critical

A national distribution centre

Routine

- General haulage
- Buffer warehousing
- International transport

Leverage

- Fuel purchase for hauliers
- Some national distribution





Using the tool

- Categorisation needs to be a shared or agreed activity
- Action plans should flow from the categorisation
- Where can you simplify specifications to increase choice?
- How can you reduce effort on routine areas?
- Where do you need market knowledge?
- What support do you need for your critical contract?





In summary....talk to the person behind the buyer's mask!









15 minute coffee break





Managing 3PLs in Cadbury

Presentation to CILT Outsourcing & Procurement Forum 24th November 2009

Philip Wood - Head of Distribution B&I













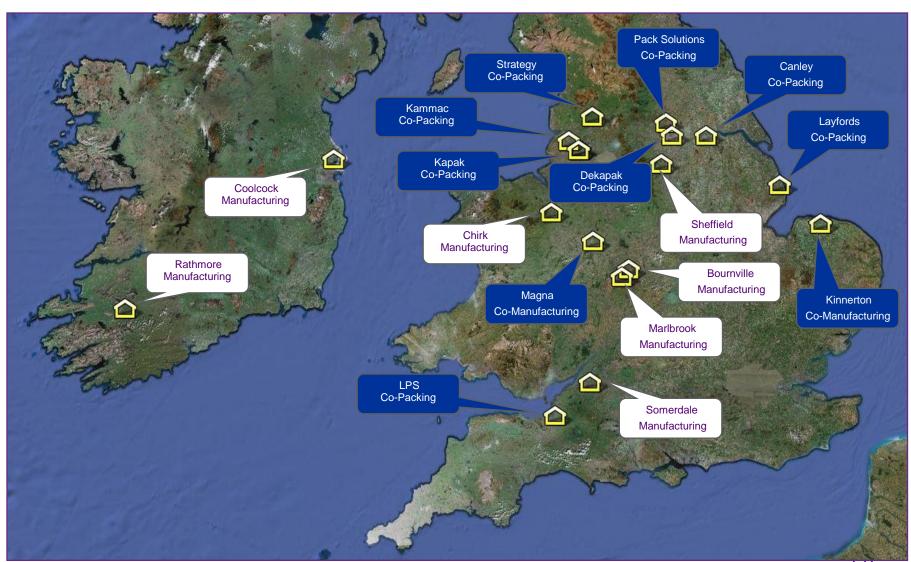
Roadmap



- > Context
- Warehousing
- > Transport
- > Challenges

Britain and Ireland Manufacturing Network





Britain and Ireland Warehouse Network





Annual Output 2008



- ➤ Number Of Customer orders: 97,022
- > Full Pallet equivalents: 692,302
- ➤ Number of delivered cases: 95,000,000
- ➤ Storage Capacity: 172,000 pallets
- ➤ Average Stockholding: 130,000 pallets (75%)
- > Firepower: c.250 vehicles despatched/24 hrs
- > Throughput Volume: 140m cases
- > Service Performance: 99.25% Distribution OTIF
- H&S Performance : BSC 5 Star standard or equivalent
- Quality Assurance : ISO 9002 accreditation or equivalent
- Programme of Environmental Improvements: target is 15% energy reduction by 2012

Warehousing - Principles



- Open or Closed it depends.
 - Stand alone operations a "chamber" plus open
 - Multi-user shared closed e.g. ACS&T
- Open book & a Working together Partnership
 - Agreed budget/contract & separate management fee (not a % of costs!)
 - Treat people as if they were Cadbury employees
 - Trust & Relationships
 - Major incident who would the press talk about 3PL or Cadbury?
- QEHS reviews and joint strategy
- Encouragement to participate in Community Activities
- Regular Briefings from Senior Cadbury Management

Warehousing – Principles – Why Open?



- ➤ Low(ish) risk people, rent, rates
- > Incentivisation gain share improvements
 - Commitment of part of 3PLs management fee (up to 30%)
 - Hard & Soft targets
 - ➤ Volume adjusted costs vs. budget 8% reduction against contract 2006 & 2007 and further 4% in 2008 whilst increasing throughput
 - ➤ Stock Control/Loss reduced from 1.4% to <0.2% saving £1.8M
 - > SARBOX Compliance
 - Service Warehouse and Customer OTIF
 - > H&S LTAs
- > KPIs that link to your agenda
- ➤ Benchmark performance internal AND external leading to 15% improvement in performance in KPI's

Consolidated Scorecard Network Performance Carbury



	Total Stock Loss	£k
Quality	S404 Compliance	%
Quality	Pallet standards - % rework	%
	Cost vs Forecast	£k
	Total cost per case handled	£K
Cost	Total cost per case handled Total cost per pallet handled	~
	Energy Costs	£k
	Post Goods Issued OTIF %	%
Service	Warehouse Capacity	P - k
	Throughput Cases	CS - k
	Throughput Cases Throughput Pallets	P - k
Efficiency	Pallets per Hour	p - K ph
	% RCA Failures	P - k
	LTIFR	Val
	No. of Lost Time Accidents	Val
Safety	No. of Reportable Accidents	Val
	No. of Accidents	Val
	kWh/Throughput Pallets	Kwh
Environment	Electricity Useage	Kwh
	Landfill waste % throughput pallets	%
	Basic Training Hours - conformance to plan	Hrs
	Development Training Hours - conf to plan	Hrs
Morale	Staff turnover %	%
	Attended Hours	Hrs
	Unloading (pallets per hour)	pph
	Loading (pallets per hour)	pph
Warehouse	VNA moves per hour	mph
Productivity	Case Pick (cases per hour)	cph
Jauctivity	% of hours spent on other activities.	%
	Total Cases (throughput) per hour.	cph
Engineering	MHE Planned Downtime	hrs
	MHE Unplanned Downtime	hrs
	Non Contract Maintenance Costs	£k

MW	SK	MK	Comments
			Stock Loss continue to be favourable even when Tesco tin conversion is eliminated.
			Costs vs 8+4 FC fav at SK (3rd Party / Electricity / MHE Leases) and MK (rates provision release), offset by MW (unforecast agency costs and R&M). MK electricity costs higher than forecast due to unit price.
			Disappointing PGI OTIF% at MW and SK following a good August for SK. MW Depot acountable = 99.86%.
			Higher throughput in MK (BIG loads) and MW (ongoing WIP / Butterfly issue). SK Pallets/hour including 3rd party movements =4.2. MW % RCA failures incl. damages where responsibility could not be identified.
			MW - Ongoing impact of Les Wood accident (160hrs). MK - 1 accident: trailer restraining bar fell on colleague's head.
			Favourable on KWh usage in MW and SK (last month of new chiller strategy), although savings offset by MK (+68%). 4.12 tonnes of landfill waste collected from MW.
			Basic training hours lower than FC for all sites. MK and SK due to training agency staff (SK training on VNA's). Some MW training cancelled due to absence and increased volumes. Sickness remains high at 9.2% in MW.
			MW Crane moves at 17 per hour – still behind target, however case pick/hour up on last month. MK A bay fill levels and the heavy inbound volume compared to outbound has impacted on ability to dual cycle.
			MW unable to extract data from systems as JCI not fully up and running. MK amber due to very small overspend.55



> KPI Reviews

- Monthly
 - Cadbury Head of Distribution & Logistics Finance Manager
 - > 3PL Site GM & Finance Manager plus Account Manager
- Quarterly
 - Plus Cadbury Logistics Procurement Manager
- Annually Review & Launch
 - Plus Cadbury Customer Logistics Director
 - > 3PL appropriate Director
- Distribution Leadership Team Meeting
- ➤ Bi-annual Distribution Strategy Review meetings

Warehousing – Continuous Improvement & Personal Development



- > 4 Groups/Teams
 - Warehouse Operations Cadbury chair
 - Transport Cadbury chair
 - Stock 3PL GM chairs
 - Customer Interface 3PL GM chairs
- ➤ Monthly 1-2-1s Program 3PL GM with HOD
- ➤ 100/200 Day Objective Plans shared to all my team

Transport - Context



- > Refrigerated Boxed Trailer requirement
- Closed book only some history
 - City Group demise (resulting in 64 suppliers by mid 2003)
 - Late 2003 rationalisation down to 12 suppliers
 - 2007 tender 20 plus suppliers respond
 - ➤ 2008 2010 Contracts awarded as follows to 6 regional suppliers.
- > 55,000 Trunker (bulk) movements pa
- > 8,600 Tanker movements pa

Britain and Ireland Transport Network





Transport



- ➤ KPI Monthly Reviews √
- > CI Group √
- Considerations
 - Ensure supplier has the scale in your specialist area to cope with the ups and downs of your market i.e. not a dedicated solution
 - Closed are you getting the best deals?
 - Limited Opportunity for Cost Saving improvements
- ➤ Open Book
 - Exposure to ups and downs in the market
- ➤ Options for 2011 for Cadbury

Challenges - What to do.



- Causation
- > Early on in the contract
- > Them:
 - They misjudged the situation
 - Wanted to get their foot in the door

> Both:

Position from data has changed beyond what might be considered as reasonable

> Us:

Missed some important information either deliberately or by negligence to get the expected deal

Challenges – What to do – early issues



- > Talk about it!
- > Can't resolve.
- Use higher line of command to act as "independent" arbiters
 - Director Level
 - > Their involvement in the decision
- ➤ Your power -
 - Ability to switch suppliers
 - Supplier reputation in the market
 - > Future business
- ➤ Their power
 - > ability to harm service
 - sue for breach of contract

Challenges – What to do



- > Causation
- > Well into the contract
- > Them:
 - Issue build up watch out what may be a minor issue to you could be a major problem to them especially in closed book where you can't see the financial impact

> Both:

- Position from data has changed beyond what might be considered as reasonable
- > Relationships fracture
- Financial stability/risk to both organisations/Take over.

> Us:

Major Board level business strategy change

Challenges – What to do



- > Talk about it!
- > Get into the detail.
 - Is what they are saying true?
 - Find out what's changed and why?
 - > Determine a way forward.
- What would happen in an "in-house" operation
- > A relationship of trust must be maintained
- > Relationship Breakdown/fracture
 - It takes two to tango!
 - Observe meetings and emails ideally jointly at a senior level
 - Your side coaching or change the individuals

Summary



- > Be clear about your needs
 - Cost/Service/QEHS
 - Closed/Open
- Context of your organisation's culture
- Managing Change and Improvement
- > Establish appropriate relationships
- Measure own performance as well as suppliers
- Manage problems through dialogue and understanding

What Can be Achieved -> 2007-2009



- ➤ 6.91% reduction in costs (including absorbing inflation!) = £3.48m
- ➤ 6.56% increase in customer cases delivered = 5.8 million
- > 2.5% reduction in Distribution costs as a % of NSV



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'How to Manage 3rd Party Logistics Relationships'

Craig Mulholland – Programme Director for Marks and Spencer Norbert Dentressangle Logistics UK

Is it an insight to the world's 2nd longest running debate?

or is it . . .

a simple formula, if the right ingredients are used?







'How to Manage 3rd Party Logistics Relationships'

Agenda

A Brief Introduction to Norbert Dentressangle

How do 3PLs Want to Be Managed?

☐ Finding the answer by debating how the relationship should be managed . . .

Closing Comments









1979	Norbert Dentressangle starts its International Transport Operations in London, UK
1980 - 1989	Establishes Transport Operations in Italy, Spain, Benelux
1997 - 1998	Enters Logistics Market Through Acquisition of Leading French Companies in Logistics Sector
1999 - 2006	Logistics and Transport Acquisitions in Italy, Netherlands, Spain, Central Europe, France
2007	Acquisition of Christian Salvesen
2009	A Leading Logistics and Transport Provider (European top 4)





NORBERT DENTRESSANGLE – COMPANY PROFILE



Groupe Norbert Dentressangle

- **□** 29,200 employees
- **□** €3.1bn overall group revenue
- ☐ 40,000,000 ft² warehousing space
- **□** 11,000 vehicles
- ☐ Presence in 14 European countries

Our Values

- ☐ Entrepreneurial Spirit
- ☐ Excellence
- ☐ Commitment
- ☐ Unity





NORBERT DENTRESSANGLE - FINANCIAL STRENGTH



2008 Results

€3,107m revenue
€75m operating income
4% like for like growth
Healthy Balance Sheet
Multi-Sector Presence
☐ No critical exposure to any one sector
Flat Operational Structure
Countries Independently Managed, but Designed to Encompass the Whole of Customer P&L
Business Unit Organisation to Maximise Customer Responsiveness



What Works and Doesn't Work in a 3rd Party Logistics Relationship

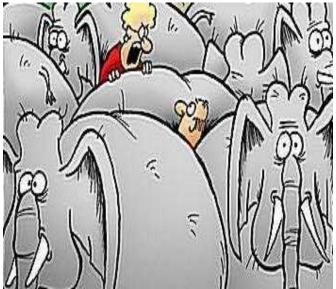
"Shooting the **elephant in the room**", is the first job at hand Agree, negotiate terms (cost, service, innovation) then put it aside . . . Focus on success Never addressing the original issues/problems 'Opaque' nature of the relationship No half measures A committed relationship Trust Describing the way you want to work . . . Not just

Understanding that 3PLs work to provide excellent service to delight their customers, but are commercial organisations that need to make a profit. They exist because they are needed . . .

the objective

Removing this cynical barrier leaves everyone free to focus on solutions.







'How to Manage 3rd Party Logistics Relationships'

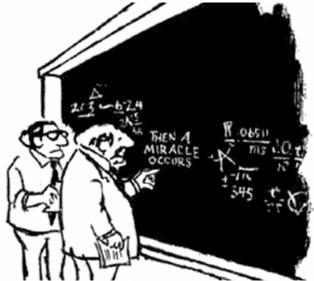


Choosing the Right Partner

- Always do the research, an ITT will only provide answers to the questions that are asked
 Get out and about . . . see what's on offer
 Demonstrable evidence
 Is the solution they present the right solution for you?
 Value in the relationship fair share of risk and reward
 Values and Behaviours Polarised or Aligned?
 First impressions may not be right for you to make a
- decision Do the research 'We reap what we sow'
- ☐ Be open and share everything up front . . .
- Mediocrity is the product of half measures

Compatibility, fit, capability and leadership make for a sound relationship.

Bigger and cheaper doesn't mean its better . . . It has to deliver!



"incenious! Who Would Have Thought it was so easy?"





Why are Users Still Unhappy With 3PL's

- Perceived lack of transparency
- Agreed Key Performance Indicators are critical
- Hidden profit agenda . . . 'Shoot that elephant!'
- **The Relationship**' responsible for everything yet accountable for nothing . . . myth or reality?
- ☐ Cultural values being non aligned . . . In reality we're all saying the same thing, but in slightly different ways . . . '2 nations divided by a common language'
- Re-visit rationale remember why you chose to out source in the first place
- Not enough of "What you need to Do and Why" and too much of "What I want to Do and When"

The relationship exists for a reason . . . If the framework isn't right, make it right.





'How to Manage 3rd Party Logistics Relationships'

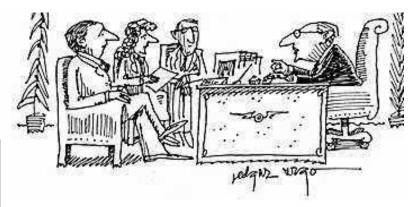


How to Set the Ground Rules

□ Make them simple and meaningful to both the relationship and the objectives
 □ Fewer is better . . . less is more . . . keep it simple
 □ Create a safe environment where both parties can flourish
 □ Distil the essence of the contract onto a single page . . . BUT, if you ever have to bring it to the table, we've failed
 □ Ensure clarity
 □ Don't impose . . . agree
 □ Make them fit for purpose and realistic
 □ Don't stifle innovation - foster it - taking

Creating the right environment to operate in fosters real solutions. Target value adding objectives. Agree the framework, and define responsibility and accountability.

risks is good, the 'blame culture' is not



"and finally, rule number 678 never break rules 1 Through 677



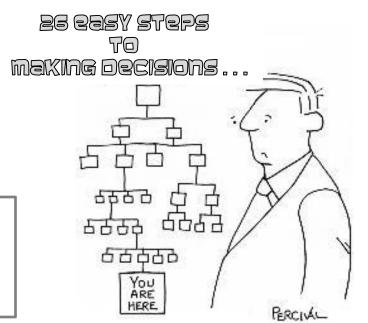
'How to Manage 3rd Party Logistics Relationships'



Who are the Key People

- Not who, but more about the quality of the people
- Non-hierarchical organisational structure
- ☐ Flat, broad structures with short communication channels
- Quality leadership at all levels in the organisation
- Tenacious, inspiring and challenging
- Autonomy to make decisions that support customer needs – 'Command and Control' is too slow
- Avoid the cottage industry of building bureaucratic organisations
- Communication critical to success

Customer and provider both have the same requirements. In this environment teams think more about the client. They can make a difference . . . so they do.







What to Do if it Goes Wrong

- Be honest and transparent 'pace' is key
- Remember . . . No one wants to fail
- Never leave anything until its too late . . . The majority of problems will be highly visible . . . work the problem together
- Observer critics add little value get involved
- Don't work at arms length
- Teams don't work as individuals
- Communication is critical (quality)
- ☐ Involvement at the earliest stages . . . Tell us everything

Failure should never come as a surprise. Take action. Close engagement and involvement clear obstacles to success.





What are the Causes of the Problem



Lack of trust



THE FEE



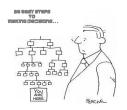
WRONG PARTNER



Perceptions



COMPLEXITY



THE WRONG PEOPLE



WORKING apart

ALL OF THE ABOVE





Craig Mulholland – Programme Director for Marks and Spencer Norbert Dentressangle Logistics UK

With the same desire and determination used in managing your own business . . .

Thank you







How to manage 3PL relationships

24th November 2009

Performance based outsourcing

- (PBO): it's about what's in it for "we" instead of what's in it for "me".
- PBO should be equated with "lean" principles
- Companies should issue a Statement of Objectives (SOO) which expresses the <u>outcomes</u> the customer expects, without specifying how they should be achieved. A SOO gives the service provider more flexibility and freedom for creativity.
- Implementing PBO "the right way" takes a lot of work and discipline, and it requires 3PLs and customers to make a clean break from the way they've always done things. It's a mind shift that will be difficult (if not impossible) for many 3PLs and customers.

"The PBO model means your relationship with your 3PL is more of a partnership than a vendor-client one. Both entities must "let their guard down".

Apr 02 2009 | By Adrian Gonzalez

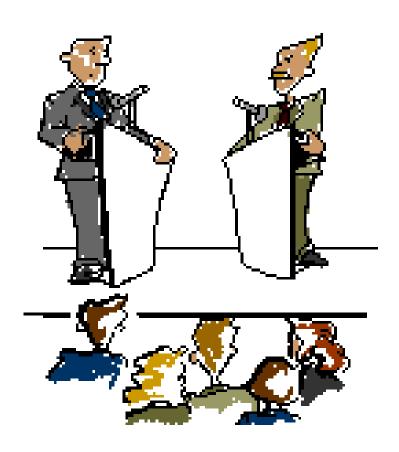
The Chartered Institute of

Logistics and Transport (UK)

The "Customer will have the right by reasonable written notice to the Contractor to require the removal from any involvement in or responsibility for the provision of any of the Services of any of the Contractor Personnel who, in the reasonable opinion of the Customer is not performing efficiently or effectively".



Question Time





Lunch and networking

