

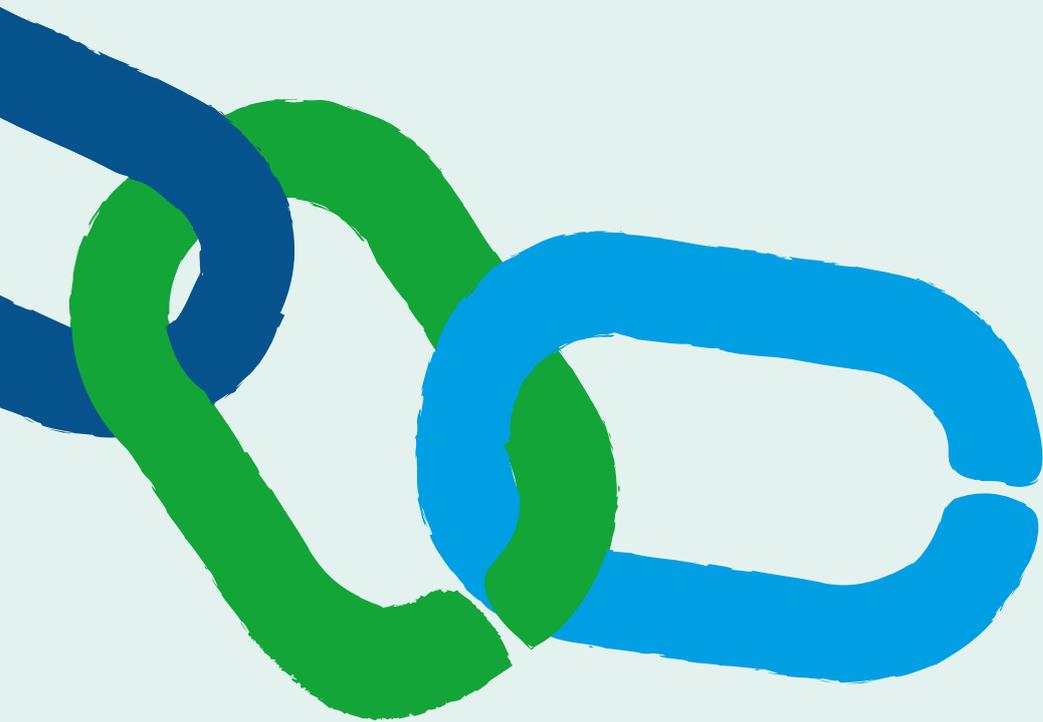
FOOD & DRINKS SUPPLY CHAIN LOGISTICS

STRATEGIES FOR SUCCESS



Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board



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MODEL LOGIC LIMITED

Model Logic is a supply chain and logistics consultancy. Services cover all aspects of the logistics of exporting for food and drink companies, from the strategic design of the supply chain network to seeking improvements in operational processes and systems. Model Logic also provides support, training and mentoring services for SMEs.

www.modellogic.co.uk

1. INTRODUCTION



Brexit is the single biggest challenge facing the Irish food and drinks industry. According to Bord Bia's Brexit Barometer, the supply chain is one of the highest risks emerging from the uncertainty around the UK's future status as a trading partner with the EU. Increased lead times, especially when related to short shelf life products, in conjunction with a complex and intense supply chain, is a key issue facing the industry.

LEAD TIMES

According to the Brexit Barometer risk analysis, 64% of the clients that engaged in the process stated that their commercial models are sensitive to increases in lead times. 88% stated that their commercial model is moderately or highly dependent on low supply chain costs. In some sectors such as beef, lamb and mushrooms, 100% stated this. In addition to the financial implications of increased lead times, customer relationships could be damaged as product availability is a key performance metric for buyers.

SUPPLY CHAIN PARTNERS

Interdependencies in the supply chains for Irish food and drinks companies are significant and it is vital that each partner along the chain and within the logistics network is prepared for market and trade challenges. 76% of respondents to Bord Bia's risk analysis state that some supply chain relationships are strategic to their business. Meanwhile, 68% of respondents are unsure whether their supply chain partners are Brexit ready.

Each individual food and drink manufacturer has established its own distribution and logistics practices but trends do emerge by sector. In the dairy sector, for example, 95% of respondents outsource aspects of their supply chain, 86% state that at least some of their supply chain partners are strategic and 81% are unsure whether their partners are prepared for Brexit.

UK LAND BRIDGE

A significant risk which has been identified is the potential disruption to the frictionless movement of exports through the UK to other export markets. These product flows could be subject to future tariffs or delays, and new supply chains to service existing markets need to be explored by companies.

NEW BUSINESS OPPORTUNITIES IN EUROPE

The Brexit Barometer also demonstrated that over 32% of respondent companies believe there are viable alternative markets to the UK in other European countries. These potential new markets are further away from Ireland and volumes, in the short term, may be significantly smaller than to the UK. These parameters mean that exporting to other parts of Europe will be more complex, with higher risks than trading into the UK.

CHALLENGES AHEAD

These findings tell us that, in the short and medium term, Irish food and drink companies are likely to face increased costs in their supply chains.

- Companies will need to assess or audit the preparations of their supply chain partners, market access routes and their raw material sourcing channels.
- In the event of reduced volumes to the UK market, supply chain footprints will need to be assessed. Companies will need to look at how to get their products to the UK and exporters using the UK as a land bridge will have to look at direct routes to Europe, if this emerges as more cost effective. The option of holding more stock closer to the European markets should also be a consideration.
- Exporters need to engage with their supply chain partners to not only understand their Brexit readiness but also that of their third party agents. Exporters' expectations of these providers need to change, as their dependency on them is greater and there is a requirement for a wider range of services.

STRATEGY GUIDE

This Strategy Guide, alongside Bord Bia's new Logistics Service Provider Directory, aims to assist Irish food and drink manufacturers to identify operations partners, establish more efficient distribution channels or routes and identify possible strategies for reducing supply chain costs.

The Guide is aimed at current and potential exporters who wish to review their logistical operations for servicing both existing and new markets in Europe. Brexit will have an impact on all exporting companies whether it is caused by variations in the exchange rate or by structural changes in the rules and regulations for selling into the UK or more onerous controls at the borders with the EU. It is therefore imperative that all companies have a strategy for reducing their cost base, reviewing product and market profitability, and also have contingency plans in place for different Brexit scenarios. Diversifying into new markets will challenge companies to review their product offering and their sales channels.

The supply chains of Irish food and drink companies are diverse. Exporting

companies vary in many dimensions, such as:

- Scale of sales volume and product range
- Product temperature requirements and shelf life
- Sales channels
- Use of agents, distributors and wholesalers
- Country markets serviced and their distance from Ireland

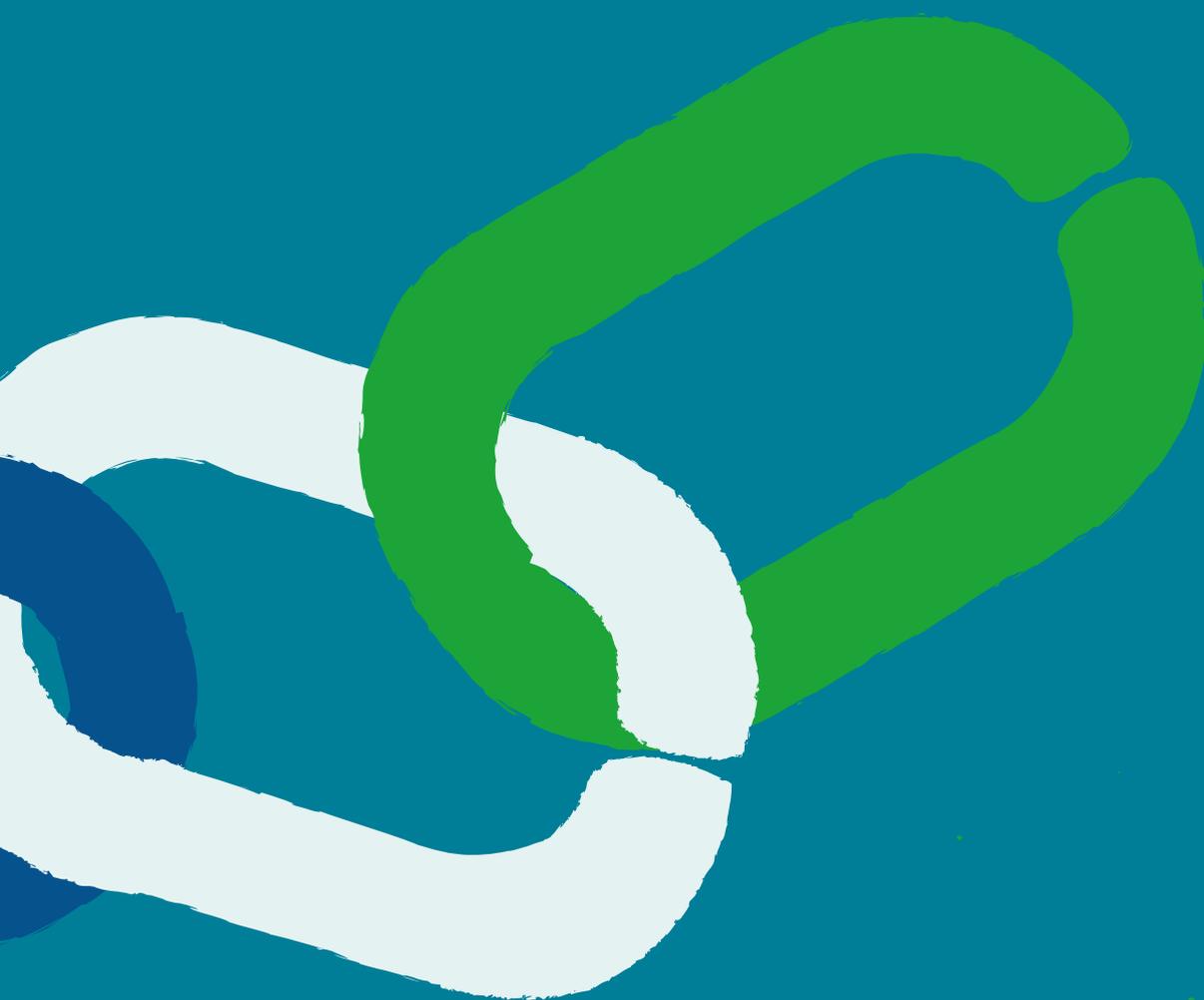
Attempting to provide a concise Guidebook on logistical operations for all companies is a challenge. This document provides a framework for reviewing current strategies and considering new ones.

SERVICE PROVIDER SELECTION

The logistics service provider (LSP) marketplace is continuously evolving as it responds to additional systems requirements and routes to new markets. Consolidation is taking place through mergers and strategic alliances are being formed. In the future, exporters will need to look beyond their incumbent provider and become more educated in the options available.

The final section of the document is a guide to selecting logistics service providers for transport and warehousing operations within Europe. The process followed is similar, regardless of the company size or maturity, although it may take longer in more complex supply chains or when the services required are specialised.

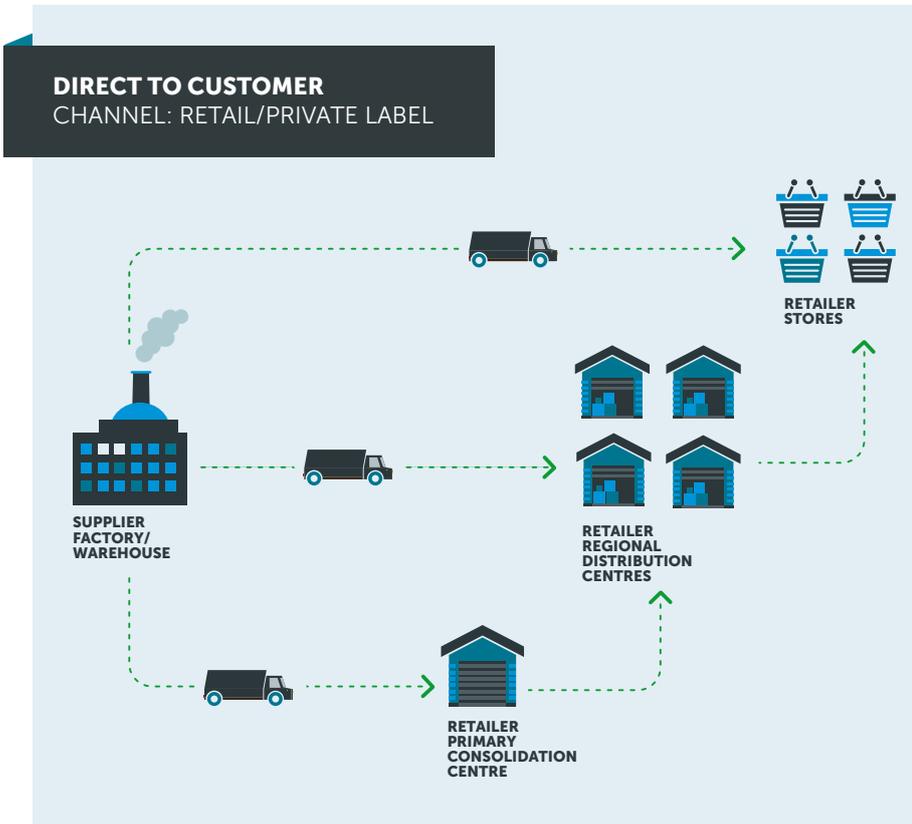
2. ELEMENTS OF BUSINESS AS USUAL STRATEGIES



COMPONENTS OF EUROPEAN SUPPLY CHAINS AND ROUTES TO MARKET

The components of the European supply chain will vary dependent upon the sales and marketing channel, the size of the suppliers business, the product characteristics and the countries being serviced. This section of the Guide gives an overview of the different components of the supply chain and the alternative routes to market.

Figure 1



In general terms, suppliers can sell their products through three possible marketing channels:

- Retail (including online and private label)
- Foodservice
- Manufacturing

The supply chain for each channel differs in the facility infrastructure, the lead times, expected service levels and the cost to serve. The final customer can either be serviced directly or via a third party such as a distributor or wholesaler.

SUPPLIER FACTORY / WAREHOUSE

Dependent upon the product category and its shelf life, Irish food and drink companies either supply products directly from the production line or from stock in a factory warehouse or an off-site facility.

RETAIL SUPPLY CHAIN

Figure 1

Grocery retailers tend to supply their stores from Regional Distribution Centres (RDCs). For some retailers a few product categories (e.g. bread, milk, and local produce) can be supplied direct to store.

The level of stockholding held at the RDCs depends upon the product category and the retailer’s own policies. Within the UK, many retailers also encourage their smaller and overseas suppliers to make use of Primary Consolidation Centres (PCCs). The PCCs tend to be operated by third party logistics service companies, who charge a fee to hold stock and undertake picking activity on behalf of the suppliers. Products are transported from the PCC to the retailer’s RDCs, thus allowing the RDCs to run more efficiently with a smaller number of deliveries and minimal or zero stock. The use of PCCs is not as widely used in other European countries.

Small or independent retailers usually source their products through national or regional wholesalers. The wholesalers offer either delivered services or collection from cash and carry depots.

ONLINE RETAILER’S SUPPLY CHAIN

Figure 2

Online Retailers who offer a home delivery service operate from a number of Regional Distribution Centres (RDCs) or a National Distribution Centre (NDC). Transport to the consumer can either be by local delivery vans or using a parcel network, dependent upon the product categories and services offered.

Online retail falls into two main categories:

- **Online Grocery Retail** – grocery retailers operate their home shopping websites for consumers to place their orders and the retailer delivers to home in their own vans (or home delivery specialists). Orders are either fulfilled from an RDC or direct from a store. Most large grocery retailers have their own home delivery operation.
- **Online Shops** – some specialist retailers have one or more distribution centres holding stock to fulfil orders captured on their website. These retailers tend to use parcel carriers to make the final delivery to the consumer’s home. Examples of online shops might include: wines and spirits, confectionery, Irish products and hampers.

Figure 2



FOODSERVICE SUPPLY CHAIN

Figure 3

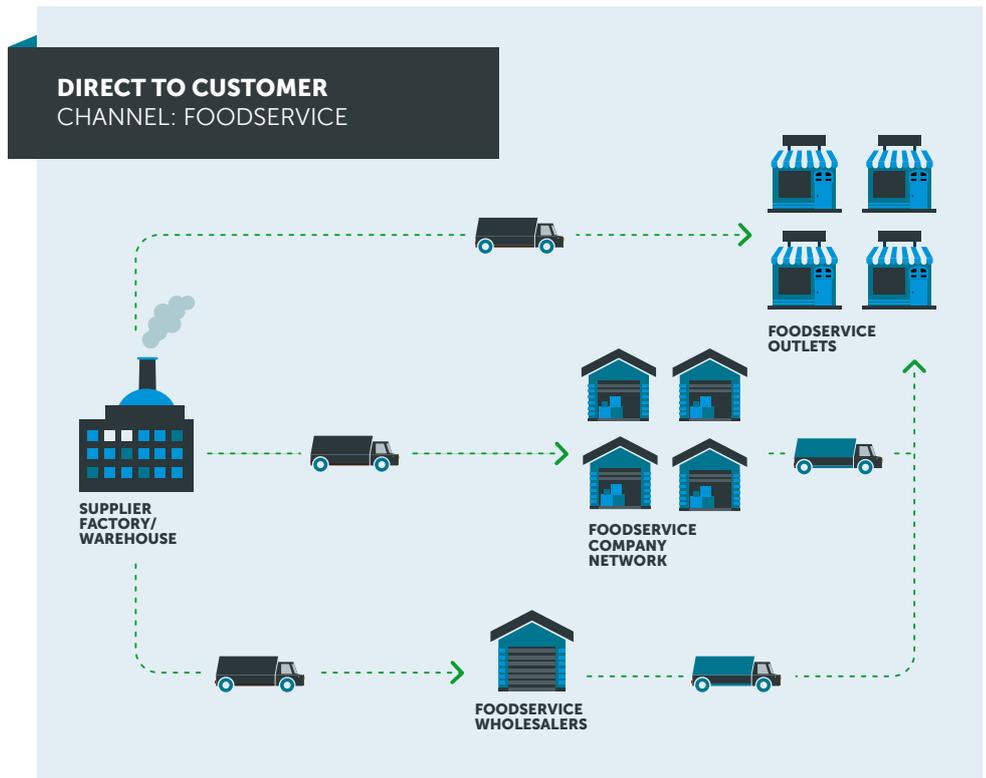
The supply routes for suppliers into the foodservice sector tend to be of three broad types:

Direct to Outlet: Some product ranges (e.g. bread, milk, local produce, etc.) can be delivered by suppliers direct to the food outlet.

Foodservice Company's Own Network: Various food service chains (e.g. Carluccio's, McDonalds, and Starbucks) employ logistics service providers to operate regional distribution centres on their behalf. Suppliers deliver into the centres which may hold stock of some items or act as cross dock facilities.

Foodservice Wholesalers: Some food service chains (e.g. Mitchell & Butler in UK) employ foodservice logistics or wholesale companies (e.g. Brake Logistics, ChefCulina, Pallas Foods) to manage the supply of product from the suppliers to the foodservice outlets. Smaller, independent food outlets can also make use of the foodservice wholesalers' delivery network or their cash and carry depots for their supply of ingredients.

Figure 3

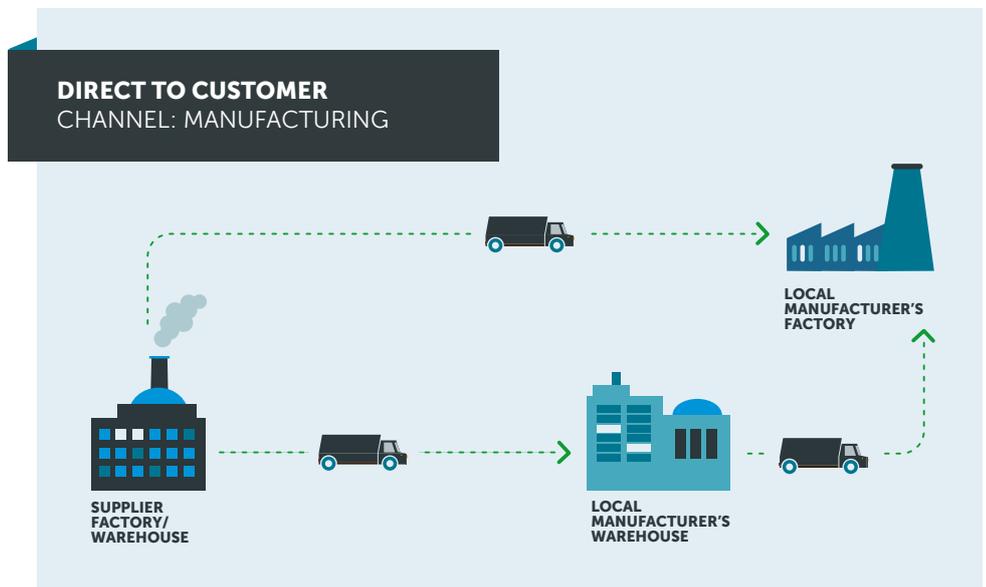


FOOD MANUFACTURER'S SUPPLY CHAIN

Figure 4

Food manufacturers tend to hold stock of the raw materials of their suppliers either at the factory or within close proximity. The level of stock holding will depend upon the nature of the production process, the shelf life of the raw materials, the frequency of supply and the risk of delivery delay or failure.

Figure 4



STAKEHOLDERS ALONG THE SUPPLY CHAIN

SALES AND MARKETING AGENTS AND DISTRIBUTORS

Sales and Marketing Agents and Distributors (SMDs) can provide a range of services to help suppliers to win new business and then provide ongoing support in marketing, sales and logistics. For logistical support, some SMDs will provide their own warehouse and transport services, some will partner with LSPs, whilst others will leave the supplier to find their own LSP solution. Generally, the SMDs will leave the supplier to organise their own transport from Ireland to the SMD's facilities, although some may be able to provide suggestions on suitable partners.

WHOLESALERS

Wholesalers can fulfil varying roles in different countries. The differences between wholesalers and distributors can also be blurred. Generally, wholesalers service the independent trade and offer a large catalogue or website of items for their customers to order or collect. Wholesalers provide an effective route to a large number of independent businesses, but will not provide the same level of detailed attention as a distributor or large retailer.

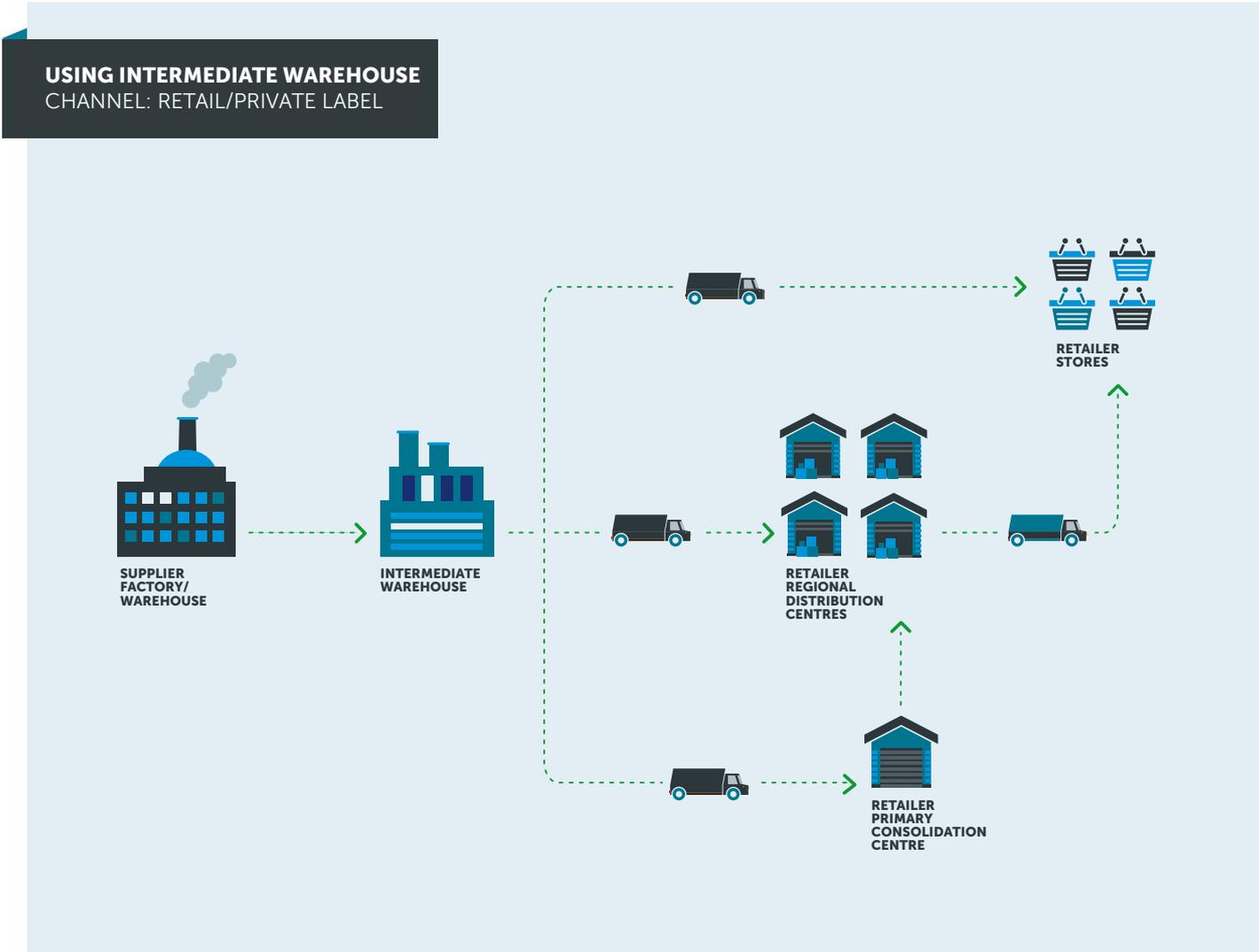
INTERMEDIATE WAREHOUSES

Figure 5

For most SMEs servicing the retail channel, particularly in more distant markets, there is a requirement to hold stock either within the market or en-route. The stockholding can either be at one or more agents or distributors or could be at a local LSP's warehouse.

If the supplier is servicing more than one market then a single, strategically located, intermediate warehouse could be considered to supply more than one country.

Figure 5



TRANSPORT OPTIONS

The options for procuring transport for exporting from Ireland to another European country fall into a number of categories, dependent upon the size of the load and the required speed of delivery. Below is a description of each of the categories in their purest forms. There are many hybrid versions in the market.

Full Truckload (FTL) (Figure 6) is where a supplier procures a vehicle trip from a single source (e.g. the factory) to a single destination (e.g. customer warehouse) and is charged an agreed fee. The supplier can load a number of pallets up to the maximum load for the vehicle. The larger the payload, the lower the rate per pallet. The supplier can either agree a rate with a regular transport provider or can review the market on a spot hire basis. Including additional drops en-route can be negotiated for an extra charge. Example service providers are Nolan Transport and Dixon International.

Less Than Truckload (LTL) – Single Vehicle Direct (Figure 7) With this type of contract, a single LSP would collect from a number of Irish suppliers and then transports their loads directly to the

customers in the destination country. This occurs when a supplier has a load, typically in the range 4-16 pallets that needs to be delivered. Transport companies will offer rates for the load which will vary dependent upon what other loads they may be able to combine together, either on outbound or return. Example service providers are Caffreys International and Hannon Transport.

Less Than Truckload (LTL) – Single Operator Groupage (Figure 8) is a regular, usually scheduled, service offered by transport companies, with defined rates for different load sizes and destinations. The company sets its prices taking into account its expectations on total vehicle fill and runs the risk that its target cannot be met. A single operator with multiple hubs across Europe, makes collections in Ireland and also completes deliveries in the destination country. The operator will try to establish flows in the opposite direction and make collections on the same routes as undertaking deliveries. Example service providers are Ace Express and Transmec.

Less Than Truckload (LTL) – Pallet Network Groupage (Figure 9) is a regular, usually scheduled, service offered by a group of transport

companies who are part of European pallet networks, with defined rates for different load sizes and destinations. The transport companies set their prices taking into account their expectations on total vehicle fill and the utilisation across the network. Here the individual transport companies team together to create a network of hubs across Europe. The company that makes the collection from the supplier will transfer the load into a distribution hub in Ireland. The load is then consolidated at the Irish hub with other loads collected by a number of Irish transport companies who are part of the pallet network. The journey from Ireland to the destination country is made by one of the pallet network members and is delivered into one or more European hubs. From the destination hub, a number of the national pallet network members will make the final deliveries. The pallet network members will also try to establish flows in the opposite direction and make collections on the same routes as undertaking deliveries. An example organisation is The Pallet Network.

As well as pallet networks, the same principles apply to alliances between companies in different countries.

Figure 6

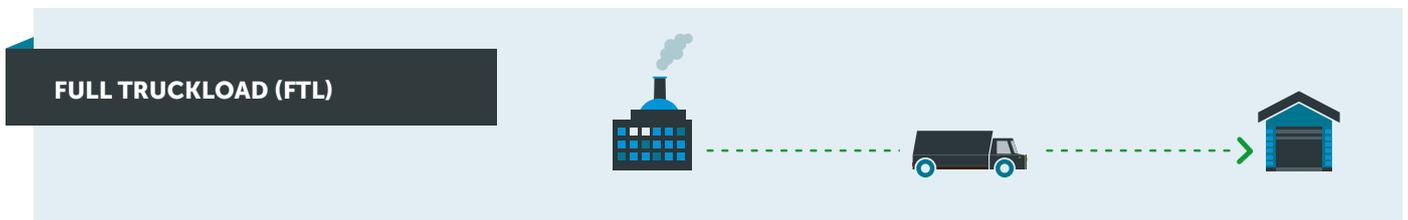


Figure 7

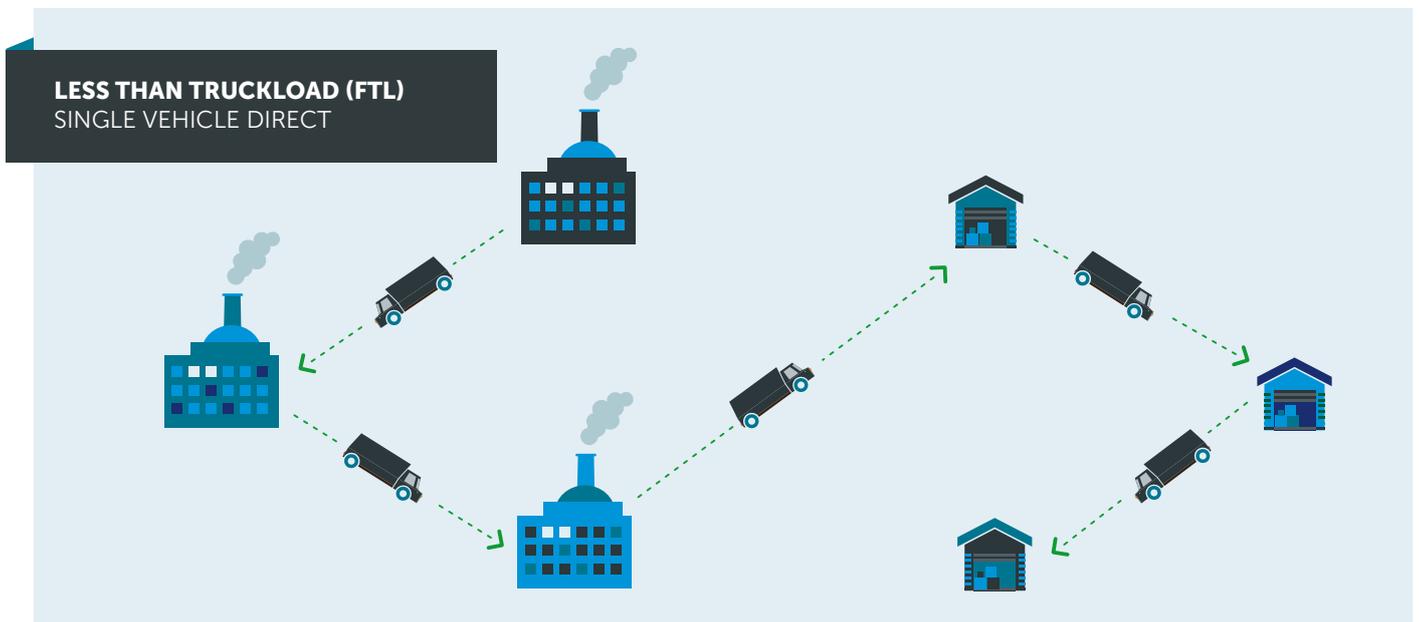


Figure 8

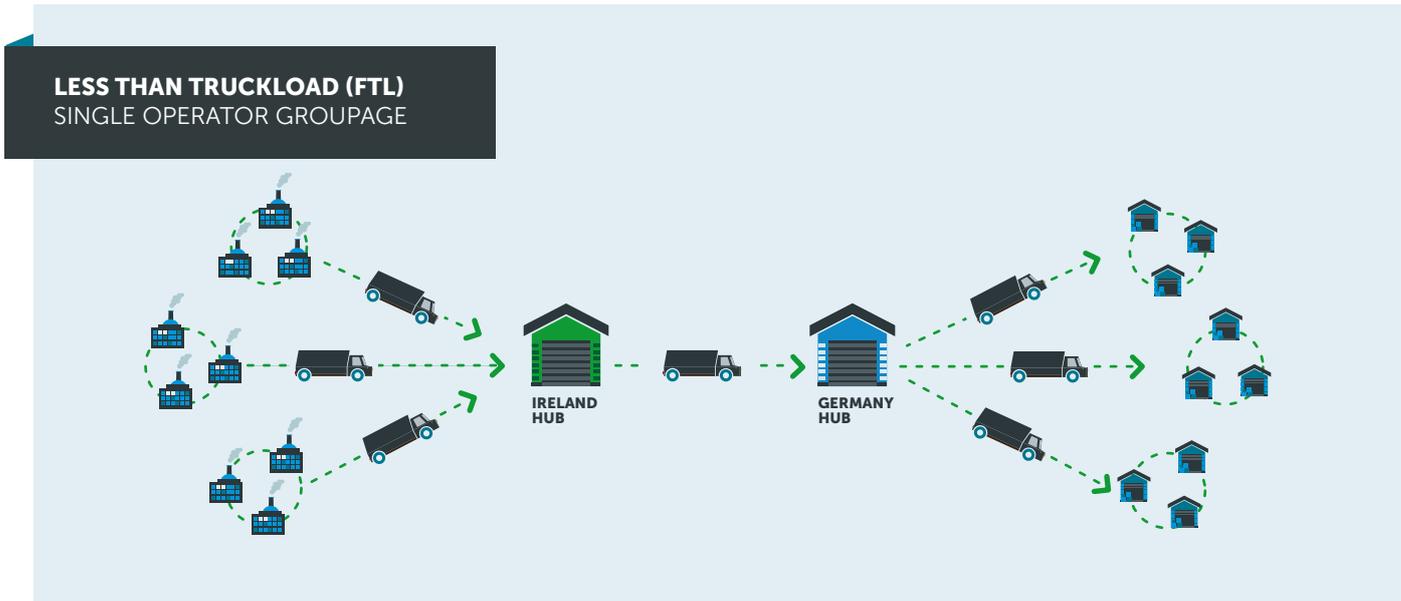
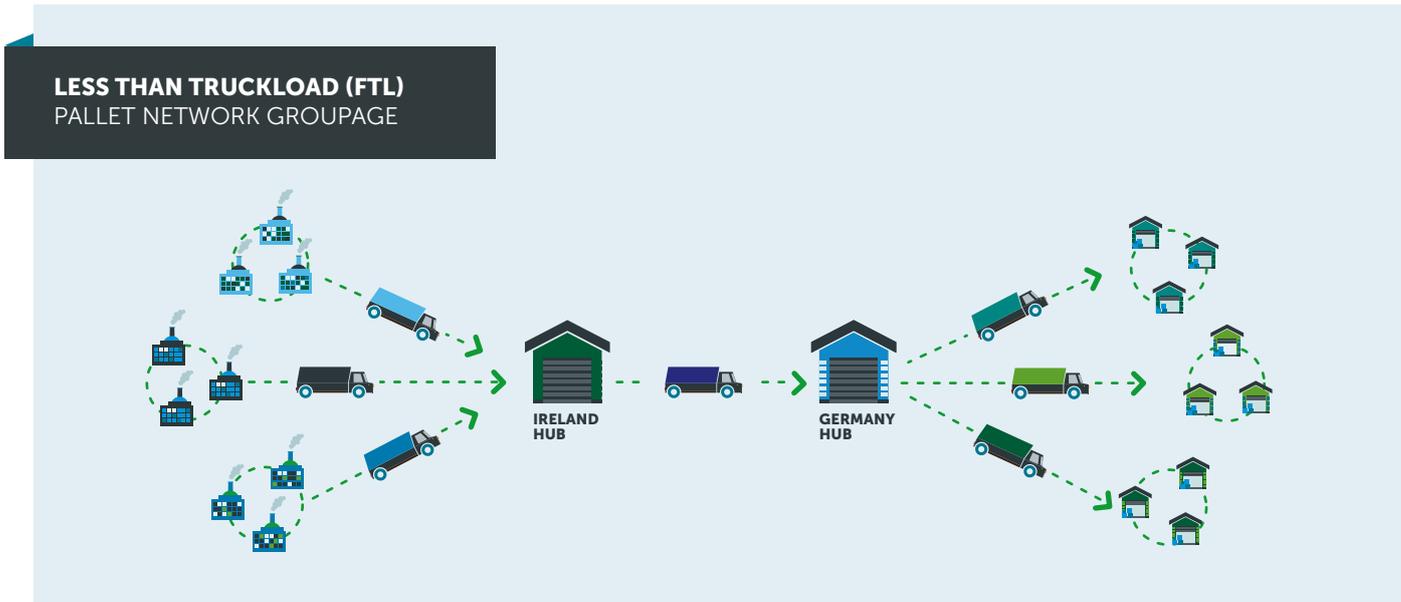


Figure 9



Example organisations are Seafoodways and System Alliance Europe.

Parcel / Carrier Services (Figure 10) can be used to send small packages or samples. The carrier provides a range of tariffs dependent upon the parcel's size, the source and destination locations and the required speed of delivery. The carrier operates a number of collection and delivery depots which feed into a small number of hubs in each country. Example service providers are DHL, DPD and UPS.

ISO (INTERNATIONAL STANDARDS ORGANISATION) CONTAINER TRANSPORT

For some European markets that are a longer distance from Ireland (e.g.

Germany and Poland) then shipping products by ISO container can be a cost effective alternative. Shipping by ISO container will usually take longer than by road, but if lead times and shelf life permit it is worth consideration. Shipping by ISO container is usually best organised through a freight forwarder or shipping company as there are a different set of options for outbound and inbound ports than with roll on roll off ferries. ISO containers are usually 20ft or 40ft in length. Example service providers are DSV, DFDS, ECS and P&O Ferrymasters.

RORO, LOLO AND CONRO FERRY OPERATIONS

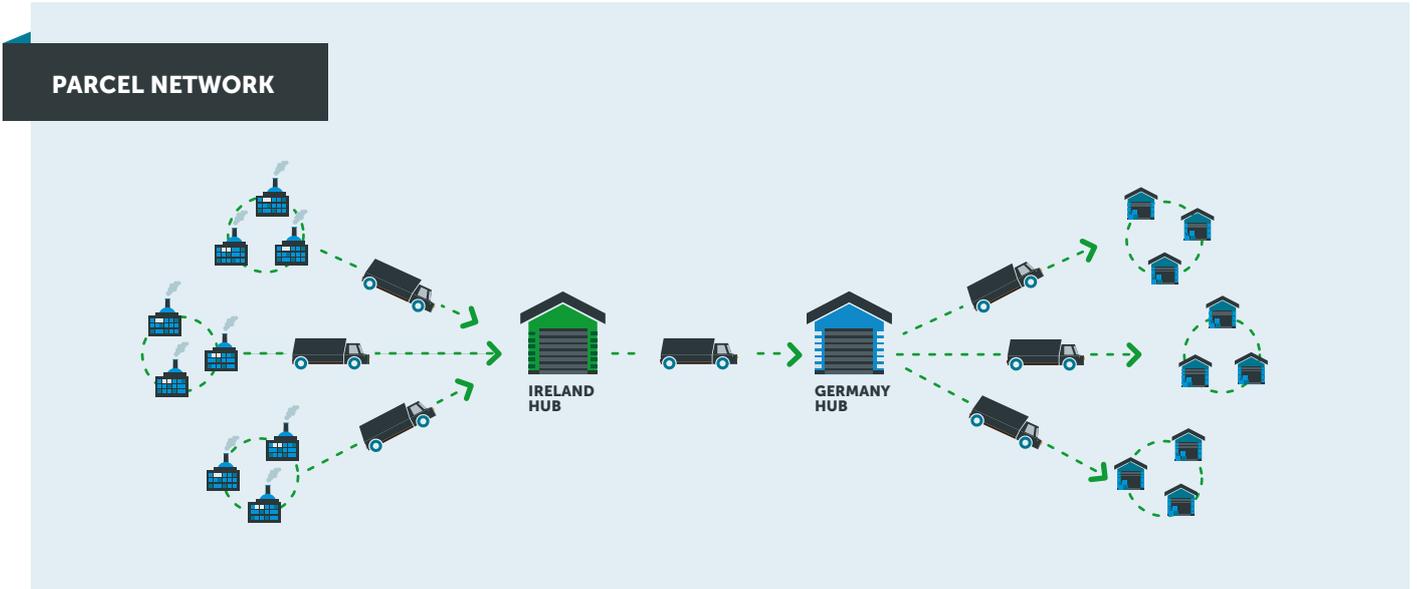
RoRo (roll-on/roll-off) ships are vessels designed to carry vehicles and trailers that are driven on and off the ship. LoLo

(lift-on/lift-off) vessels use a crane to load and unload cargo, usually as ISO containers. A ConRo vessel is a hybrid of a RoRo and a container ship. This type of vessel has a below-deck area used for vehicle storage while ISO containers are stacked on the top decks.

UNACCOMPANIED VEHICLES

Once a vehicle has been loaded onto a vessel, usually the driver also makes the crossing in what is known as an accompanied trip. During the time at sea the driver is deemed to be working and will be paid a fee. For longer sea crossings, it may be economical for the driver not to travel with the vehicle and it is arranged for a second driver to meet the vehicle at the destination port and then continue the onward journey. This is

Figure 10



referred to as an unaccompanied trip.

CUSTOMER COLLECTIONS

Some large retailer or food service wholesalers are large enough to organise either collections from their suppliers’ factories or warehouses, or to organise a consolidation operation within Ireland or the UK. This approach can make life simpler for the supplier, however it is important that savings and costs be evaluated carefully. The supplier also needs to take into account the impact on its other export business logistics.

CURRENT FERRY CROSSINGS

There are only a limited number of ports on the Island of Ireland that operate freight services to the UK and mainland Europe. These are Dublin, Rosslare, Cork, Belfast and Warrenpoint. A full list of current freight schedules from each port is shown in Appendix 1. Some of the ferries operate freight only whilst the more regular ones combine freight and passenger traffic. Most LSPs who use the ferries, require the drivers to accompany their vehicles during the sea crossing. For longer sea crossings the alternative is for the vehicle to be unaccompanied.

CURRENT PROCESSES, REGULATIONS AND SYSTEMS FOR EXPORTS TO OTHER EU COUNTRIES

Within the European Union (EU), the European Economic Area (EEA) and Turkey, food and drink products can move freely without customs checks. Governments may not limit quantities of imports or exports nor restrict trade in any way. The EU’s right to free trade

also includes the right of free transit throughout its territory. Once a product has been produced in Ireland, it can be transported freely throughout the whole of the EU.

Article 36 of the Treaty on the Functioning of the European Union (TFEU) allows EU countries to impose restrictions on products if they are deemed to interfere with public interest. This may be on grounds of the protection of “health and life of humans, animals or plants, environmental protection, public security or public morality”. Governments must demonstrate that such restrictions on free movement are justified and proportionate, such as advance authorisation procedures for certain products that present a genuine risk to public health.

The requirements for documentation to accompany shipments within the EU are minimal and may include a commercial invoice and a packing list, if appropriate. Goods moving around the EU should be in free circulation, which means that they are either wholly produced within the EU or, if imported, all EU customs duties have been paid. Free circulation goods do not require customs paperwork when moving around the member states of the EU.

CURRENT PROCESSES, REGULATIONS AND SYSTEMS FOR EXPORTS TO NON EU COUNTRIES

The documentation requirements for exporting to non EU countries are currently more onerous than to the EU and include:

1. Invoice and Packing list. An invoice is

required to accompany a shipment of goods. There are three main types of invoices in international trade:

- Shipping invoice – a document prepared for the movement of goods. Often used when the goods are free of charge but can be used when the commercial invoice is not available or will be raised at a later date.
- Commercial invoice – the invoice on which the customer is expected to pay. Some customs authorities insist that the commercial invoice is available at the time of import.
- Proforma invoice – not to be used for shipping goods. This is an invoice raised in advance generally to enable payment in advance, the release of foreign currency, the setting up of a letter of credit or obtaining an import licence. Proforma indicates it is “before the actual” invoice so therefore precedes a commercial invoice.

2. Certificate of Origin (CofO) - document required by some countries to establish the place of manufacture or production of the goods. It is generally issued by the Chamber of Commerce and confirms the nationality (country of origin) of the goods. If a country does not require a Certificate of Origin a statement of origin must still be made on the commercial invoice.
3. Export Declaration - All goods leaving the EU must be declared to customs. This export declaration has a number of names – C88/SAD/NES/EAD. The consignor is legally responsible for the information provided on the export declaration even though it may be prepared by the freight forwarder.

Exporting companies must receive a copy of this export declaration for their records and as evidence of export.

4. Commodity Code - A string of numbers used to identify goods for customs purposes. The commodity code systems are harmonised so that all countries customs authorities can cross reference the commodity code. The codes are issued in a country's tariff. EU commodity codes can be found online – www.revenue.ie/en/customs-traders-and-agents/importing-and-exporting/classification/index.aspx.
5. EORI - Economic Operator Registered Identification number. Any company wishing to export must register for an EORI number, which can be done online – www.revenue.ie/en/online-services/services/common/register-for-an-eori-number.aspx.

PROCESSING TIMES AND DELAYS AT BORDER CONTROLS

The time to process vehicles at border controls is dependent upon many factors, particularly the bi-lateral relationships between the two bordering countries, their culture and also their approach to processes and systems. The potential for delay is magnified at peak times, if the level of resources at the border control falls short of requirements.

Turkey is a member of the customs union and vehicles crossing the border into the EU do not have to pay duties or tariffs. The Turkish drivers do, however, require a permit to pass through each European country. The experiences at the border controls at Kapikule, between Turkey and Bulgaria suggest that average delays are between two and three hours. More extreme delays have been reported by the Financial Times, quoting 30 hour delays and 17 kilometre queues.

Norway is outside the EU customs union, while Sweden is inside. Norway and Sweden have worked closely on bi-lateral arrangements and joint systems in order to streamline the processes for border control. By integrating the systems for customs control the transport delays are minimised. Every driver must stop and provide customs documents and, if there are no irregularities, the average delay is approximately 5 minutes. Random spot checks are undertaken to ensure that goods are declared correctly.

The time to process a vehicle will also depend upon the nature of the load

being carried. The time to process a full, single consignment, load of 33 euro pallets will be significantly less than, for example, a load made up of six different consignments, each of five euro pallets.

AUTHORISED ECONOMIC OPERATOR (AEO)

AEO certification is an international initiative to ensure that supply chains are secure and controlled from the point of origin through to the final delivery destination. Registration is open to all businesses in the EU that are involved in trade with non-EU countries, including exporters, importers, logistics operators, carriers, freight forwarders and customs agents.

Full details of the process and guides for AEO certification are given on the Irish revenue and UK revenue websites, AEO Introduction Ireland, AEO Manual Ireland and AEO Introduction UK.

The benefits of achieving AEO status include:

- Greater access to priority clearance
- Reduced administration
- Traceability of flow of goods
- Increased transport security
- Fewer delays in despatch
- Improved security between supply chain partners
- Quicker access to certain customs procedures including safety and security

The aim of AEO status is to provide business with an internationally recognised quality mark which will indicate that their role in the international supply chain is secure and their customs controls and procedures are efficient and compliant. An operator with AEO security and safety status implies that apart from being reliable in the traditional financial and customs terms, they are also compliant in respect of security and safety standards and can therefore be considered as a 'secure' trader and thus a reliable trading partner.

There are two types of authorisation:

- Security and safety (AEOS) - issued to any business that fulfils the criteria of customs compliance, appropriate record keeping standards, financial solvency, and maintains appropriate security and safety standards
- Customs simplifications (AEOC) - issued to any business that fulfils the criteria of customs compliance, appropriate record keeping standards,

financial solvency and practical standards of competence or professional qualifications directly related to the activity carried out

- Combined security and safety with customs simplification (AEOF) – issued to a business that has applied for and fulfilled both AEOS and AEOC criteria

A business can apply for both types of AEO status and no charges are made for the processing of applications or the issue of authorisations.

Holding the AEO status for security and safety purposes enables businesses to benefit from certain facilitations of customs controls at the entry of the goods into the customs territory of the EU or when goods leave the customs territory of the EU. These will include:

- Recognition worldwide as safe, secure and compliant business partners in international trade
- Lower risk scores in risk analysis systems when profiling
- Priority treatment if physical controls are conducted
- Mutual recognition of AEO programmes under joint customs cooperation agreements which could result in faster movement of goods through third country borders
- Reduced data sets for entry and exit summary declarations (this only applies to AEO safety and security)
- Easier access to simplified procedures
- Reduction or waiver of comprehensive guarantees

The timescale for the AEO certification process will depend upon the complexity of the business and its ownership structure. Acceptance of the application should be advised within 30 days. The expected timescale for processing and review of the applicant's operation is 120 days. Where the application is more complex and involves activities in other member states then a further 60 days may be required. Once accepted, the AEO authorisation takes effect on the fifth day after the date of issue.

At present, the take up of AEO certification in Ireland and the UK is low when compared to other EU countries, such as Germany and Netherlands. Information on Irish companies that have achieved AEO certification can be found on the European Commission's Taxation and Customs Union website – ec.europa.eu/taxation.

3. OPTIONS FOR SUPPLY CHAIN RE-DESIGN



Irish companies have a number of opportunities to review their operations, products and markets and re-design their supply chains. The options will be influenced by how the LSP community respond to the challenges and introduce new and innovative services.

POSSIBLE DEVELOPMENTS OF LSP SERVICES

Generally the LSP community has been adopting a “wait and see” strategy towards Brexit or have been reluctant to define what developments they have been considering. Recent research has highlighted a number of initiatives being undertaken by different LSPs:

- Registering for and achieving Authorised Economic Operator (AEO) status
- Shipping lines reviewing extending services from Ireland to mainland Europe
- Ongoing developments for transporting containers and the use of ConRo vessels
- Expanding the use of unaccompanied trailers on shipping legs
- Introduction of double-deck trailers to increase capacity per trip
- Extending use of multi-modal services
- Increase in the number of warehouses at ports
- Formalising strategic alliances across Europe
- Employing more people with customs experience
- Interfacing systems with those of the tax authorities

It has been highlighted that the port of Dublin does not have sufficient capacity to accommodate significant increases in queued or parked vehicles that may result if processing times increase. Consideration may be required by the authorities to building additional customs checking facilities inland.

IMPROVED PROCESSES AND SYSTEMS

With increased complexity, either due to customs or servicing multiple markets, there will be a greater reliance on efficient processes and systems. Exporters should consider:

- Registering for and achieving Authorised Economic Operator (AEO) status
- Introducing new or upgrading existing supply chain management (SCM) systems
- Improving interfaces to freight forwarders and LSP's export management systems
- Increase training on export and customs related processes

In an ideal world, all partners along the supply chain would be AEO registered. Introducing new systems, improving interfaces and undertaking training are significant projects, which could typically take 6 months to one year to implement if starting with no experience. The project management of the implementation would require a full time person or consultant for the duration of the project.

CONSIDER NEW ROUTES TO REACHING EUROPEAN MARKETS

Should the route to Europe using the UK land bridge become a major source of delay and extra expense, then alternative routes may need to be considered:

- Avoid the UK land bridge if possible and seek alternative sea routes. Although the journey time by sea is longer than by road, there are alternatives to using the UK land bridge. There are scheduled ferry crossings from Ireland to ports in Belgium, Denmark, France, Netherlands, Portugal and Spain. In addition freight can be shipped to ports in Germany and Italy. These options would only be appropriate for longer shelf life products and imply holding stock in the local markets. Also, when transporting by ship consideration should be given to using containers and possible ConRo ships.
- As a result of Brexit, NI transport companies may use Belfast more than Dublin, releasing capacity at Dublin for ROI transport companies.
- Work with shipping lines to establish new routes – shipping lines will only provide services where there is significant demand. If Irish food and drink companies are considering new markets, particularly more distant ones, then they should work closely with the shipping lines to evaluate the viability of new routes. Some shipping lines are already, confidentially, reviewing opportunities.
- Consider air freight to selected markets, where cost effective – for some high value, short shelf life products being appraised for sale to more distant European markets, the option of using air freight should be considered. The cost of air freight could be 5-10 times higher than by road, but in some circumstances it may be the only option.

INCREASE STOCK IN THE LOCAL MARKET

In order to mitigate any increased uncertainty or variability in the journey time from Ireland to the European markets, suppliers could consider increasing the level of stock within the local market:

- At the customer's RDC or NDC
- At the local agent, distributor or wholesaler's facility
- At an existing LSP warehouse location

The increase would be in the order of one or two days of stock cover. The ability to do this for short shelf life products would need to be evaluated using more detailed modelling.

EXTEND SHELF LIFE THROUGH IMPROVED PROCESS AND TECHNOLOGY

Extending the shelf life of products has huge advantages within the supply chain. Not only can more distant markets be reached, but also the selling season can be extended. Within the meat industry, for example, work is continuously being completed to improve cleanliness and hygienic processing in order to extend the life of the products. In addition, alternative chilled vacuum packs or CO2 gas flushing could be considered as methods for this.

REDUCE TEMPERATURE TO EXTEND SHELF LIFE

Suppliers of shorter shelf life products could consider extending the shelf life by introducing more frozen products into their range, for example:

- New product formulations produced, distributed and sold as frozen
- New product formulations produced and distributed as frozen and then tempered close to market for sale as chill or ambient

These potential product developments should be evaluated as part of a full market appraisal.

CHANGE PACKAGING TO EXTEND SHELF LIFE

Suppliers of shorter shelf life products could consider changing the packaging format in order to extend the shelf life of their products, for example:

- Consider canned or packaged products
- Consider freeze dried products

Changing the format to a longer life product may influence the target sales channel (e.g. food service rather than retail, discount retail rather than premium retail). Ingredient suppliers could consider expanding their range to include retail products. These product developments should be evaluated as part of a full market appraisal.

HOLD STOCK AT INTERMEDIATE WAREHOUSE

Consideration should be given to holding stock at strategically located warehouses on mainland Europe. Each warehouse could serve a number of country markets. Some examples would include:

INTERMEDIATE WAREHOUSE LOCATIONS	POTENTIAL COUNTRY MARKETS
Rotterdam, Zeebrugge	Netherlands, Germany, Poland, Nordic Countries
Dunkirk, Calais, Boulogne	France, Belgium, Spain, Portugal

This strategy would allow large load fill on transport legs from Ireland. A single warehouse location could be considered for servicing all of the mainland country markets. The ideal choice for one or more mainland stockholding locations will depend upon the relative volumes into the markets concerned. If the strategy is to grow markets in Eastern Europe then an intermediate stockholding location in Germany could be considered. Exploring the options for the location of an intermediate warehouse is best achieved using network modelling tools.

LABELLING AND PACKING AT INTERMEDIATE WAREHOUSE

If more than one different language market is being serviced, then consideration could be given to sending product to the intermediate warehouse in temporary packaging capable of being re-packed into individual language packs. The economics and risks of undertaking this strategy need to be worked through carefully.

TEMPERING AT INTERMEDIATE WAREHOUSE

For some, normally short shelf life chilled products it may be possible to freeze them during or post production and then transport frozen to the intermediate warehouse, where they would be stored frozen. At an appropriate time, the products would be moved into a tempering room where the temperature would be raised to chilled levels. The chilled stock would then be available for transport to the customer or distributor.

CO-OPERATION AND COLLABORATION WITH OTHER SUPPLIERS

Transport is an operation where economies of scale exist. There is generally a fixed cost of getting from A to B, therefore the higher the payload the lower the cost per pallet. The costs of sending one or two pallets over long distances using groupage transport are very high. However, if a number of suppliers agree to use the same transport company for loads to the same destination or region on a particular day then a better rate can be negotiated. The concept of collaboration could be extended to sharing the same intermediate or market warehouse that would be operated by a third party.

USE OF MULTI-MODAL SERVICES

A number of LSP operators offer multi-modal services, which provide door to door, containerised, transport solutions by sea, rail, road and barge. These services can be ambient or temperature controlled. Although the journeys may take longer there are significant reductions in CO2 emissions, which build on the supplier's green credentials.

RESOURCING AND MANAGING SUPPLY CHAIN NETWORK DESIGN

For Irish SMEs exporting to Europe, the recommended logistics solution is likely to use a combination of LSP services, rather than investing in property and transport assets. Any analysis of options will be undertaken based upon estimates of transport and warehouse cost rates supplied by LSPs or estimated by consultants.

To evaluate the options for supply chain network design and the location of warehouses, companies can take two approaches:

- Undertake computer modelling to evaluate a range of theoretical scenarios in order to identify the ideal configuration of warehouse and transport resources
- Work with selected LSPs to evaluate their propositions in terms of warehouse and transport services

A combination of simple network modelling and inputs from larger LSPs is likely to provide the most cost effective solution. The objective of the analysis would be to calculate the total cost to serve for each of the options being considered. For example, the total cost to serve comparison for using an intermediate warehouse would include:

COSTS FOR DIRECT TRANSPORT TO MARKET	COSTS USING INTERMEDIATE WAREHOUSE
Transport costs from Ireland direct to customers, agents or distributors	Transport costs from Ireland to the intermediate warehouse
	Storage and handling costs at the intermediate warehouse
	Inventory costs, including any risks of write off or damages
	Transport costs from the intermediate warehouse to customers, agents or distributors
TOTAL COST TO SERVE	TOTAL COST TO SERVE

The analysis would also consider to time to fulfil orders and also the impact on shelf life. Alternative locations for the intermediate warehouse would be considered and evaluated.

The project team could be made up of a mix of internal and external resources, with access to modelling tools. The timescale for this process would be between two and four weeks.



4. COST REDUCTION INITIATIVES



Exporting to multiple markets adds complexity to the supply chain and increases the requirements for effective, planning and operations. There is a potential increase in the number of product SKUs, particularly if separate language packs are required. The increase in product SKUs has implications along the supply chain, including forecasting, raw material and packaging planning, production planning, stockholding, warehouse layout, picking activity and load sizes. The extra complexity can impact upon KPIs and costs, as production runs become shorter with more changeovers and possibly increased wastage. Production batch sizes may dictate inventory levels, which may conflict with shelf life requirements.

Against this background it is important that suppliers can manage the logistics operations and control the execution processes. It is likely that a review of operator and systems capability is required.

REVIEW SYSTEMS FOR OPTIMISED PLANNING AND EXECUTION

When starting their businesses, SMEs often turn to spreadsheets to plan, execute and monitor their supply chain operations. This has the advantages of being low cost, speedy to set up and easy to use as it is based upon a widely accepted toolset. As the business grows and expands into new markets the number of dimensions of contacts, planning and control grows exponentially. There is therefore a need for more formalised planning which may involve considering an entry level Material Requirement Planning (MRP) system or a Sales and Operations Planning (S&OP) tool. The objectives of this would be to:

- Improve forecast accuracy and maintain a single forecast for the business
- Synchronise inbound and outbound operations
- Plan raw materials and packaging requirements
- Plan resources in terms of people and equipment
- Reduce wastage

Introducing more sophisticated systems will impact on all parts of the business and should be seen as a company-wide initiative and all personnel will need to be retrained to some level. Investment costs in terms of time and money are likely to be high but payback should be expected in two to three years.

EVALUATE THE INVENTORY VS SERVICE TRADE-OFFS

Understanding the relationships between inventory policy, production efficiency and service levels is key to any manufacturing business. The inputs to a service strategy review would typically include an appreciation of the following:

- Lead times along the supply chain
- Delivery frequency to the customer
- Shelf-life of the products and the amount demanded by the customer
- Production batch size constraints
- Costs of materials, processes and holding inventory
- Costs of customer service failure

Due to the complex nature and interactions of the parameters used in the review it may need to be supported by more detailed modelling.

The objectives of modern day supply chain management within the food and beverage industry is to be lean and as agile as possible. In order to achieve this, a number of strategies should be considered:

- Focus on making changeovers as efficient and speedy as possible
- Focus on minimising waste
- Collaborating with customers to share demand forecast information in order to minimise forecast error and hence reduce inventory
- Collaborating with suppliers to share information in order to improve the availability of raw materials and packaging without requiring excessive stock
- Monitoring of KPIs related to service level (e.g. OTIF), product availability and production costs

Once service level strategies have successfully been implemented at a base level, more sophisticated methods for targeted and differentiated service levels and related price regimes can be considered.

COST REDUCTION INITIATIVES

Within a manufacturing company there are always opportunities to reduce costs. Some areas for potential cost reduction would include:

- Focus on the end-to-end supply chain, including purchasing, manufacturing, logistics and customer service. An added cost in one area (e.g. stronger packaging) could result in more savings in other areas (e.g. reduced transport costs due to improved pallet fill)

- Review the volumetric dimensions of products:
 - o Do the case sizes and items per case match the shelf configuration or menu plans of the customers?
 - o Can the number of cases per pallet be increased in order to reduce transport costs, which tend to be on a pallet rate?
 - o Can pallets be double stacked on vehicles in order to improve utilisation?

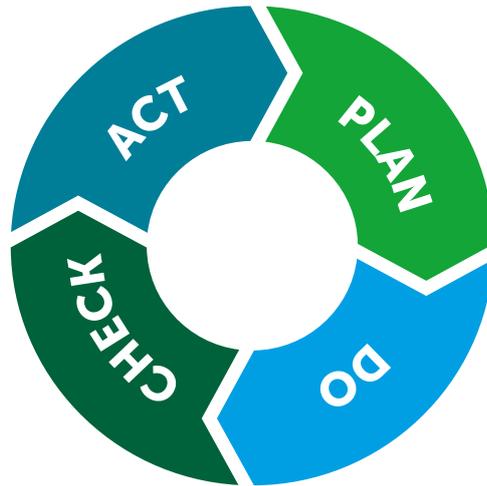
IMPROVED PURCHASING

Many manufacturers don't give purchasing or procurement sufficient focus because of the senior management's time constraints and the specific set of skills that are required. Some ideas for improved purchasing would include:

- Understand the basics of purchasing, including the procurement cycle
- Compare or benchmark the costs of supply chain elements with similar companies. The rates for distribution and transport tasks tend to be independent of product, but a function of volume, temperature and location
- Work collaboratively with suppliers to identify opportunities to synchronise planning, improve visibility and reduce costs
- Seek to reduce the number of suppliers in order to gain economies of scale and reduce time to procure
- Attempt to convert as many fixed costs to variable ones

CONTINUOUS IMPROVEMENT (CI) METHODOLOGY

Some improvements in supply chain management may result in a major step change with substantial benefits. There is however a need to continuously review an operation in order to seek out small improvements which when added together contribute to significant cost savings, improved quality and reduced waste. This process of continuous improvement or marginal gains requires a proper framework for participation, suggestion, implementation and measurement. All of the company's employees should be encouraged to participate in the process.



Plan: Plan a change or test aimed at making an improvement

Do: Carry out the change or test, initially at a small scale

Check: Study the results and identify what was learnt and what went wrong

Act: Based upon the results either adopt, abandon or modify and re-run

SUPPLY CHAIN RISK MANAGEMENT AND CONTINGENCY PLANNING

When expanding into new overseas markets, companies will experience higher levels of risks in their operations and supplier relationships. Irish exporters should be proficient in risk management and contingency planning. The subject of supply chain risk management is the remit of the Chartered Institute of Purchasing and Supply (CIPS), who have developed a Good Practice Guide and an online assessment tool. As part of this CIPS has developed a resilience model, which is structured as:

RISK INFLUENCES	RISK CONSEQUENCES	SUSTAINABILITY RISKS	RISK ELEMENTS
Internal	Operational	Social	Legal
External	Financial	Economic	Governmental
	Reputational	Environmental	Ethical
			Geographical
			Functional
			Performance
			Technical

Further information on CIPS services on supply chain risk management can be found on their website – www.cips.org

5. POSSIBLE BREXIT SCENARIOS



The UK acts as a land bridge for fast access for Irish products to reach European and international markets. The Irish Road Haulage Association (IRHA) estimate that 80% of Irish freight bound for Europe passes through the UK. The scenarios for possible Brexit outcomes are numerous and interconnected. In this section only the scenarios which have supply chain consequences are reviewed.

REQUIRED CUSTOMS PROCESSES AND CHECKS ADDING TO TIME AT BORDERS

SCENARIO

THE UK AND EU DO NOT OPERATE WITHIN THE SAME CUSTOMS REGIME.

IMPLICATIONS

Additional processes and checks would be required at all border controls, potentially increasing the time to travel between the UK and EU countries. There are two elements that would influence the total time to travel through the border control. The first is the additional time to process each consignment or vehicle and the second is the potential time queuing due to the imbalance between demand and processing capacity. Without an increase in customs processing capacity at the borders, serious queuing could occur on the adjoining road network.

The additional processing time would depend upon the complexity of the load being carried. It is estimated that for a simple load the additional time would be of the order of 5 minutes. For vehicles carrying multiple consignments then the time could be significantly higher. Much will depend upon the sophistication of the border control systems that are finally implemented and whether export and import processing can be combined.

The imbalance of demand and processing capacity is expected to be a short term problem and will depend upon the timescale of investment by governments into border control systems and resources.

Increasing the time at the borders would have a number of impacts:

- Eat into drivers' available legal hours, reducing the drive time at the end of the ferry crossing, which may lead to additional overnight stops
- Add to operators costs as the driver and vehicle are unproductive for a period of time
- Could result in missing a scheduled ferry crossing incurring even more significant delays
- Reducing the available shelf life of products being carried, with the possibility of restricting certain perishable products from key markets or at least reducing their value
- Where lead time is critical, the Irish products would be less attractive to European buyers

CONTINGENCY OPTIONS

- Consider new routes to reaching European and international markets
- Increase stock in the local market
- Hold stock at intermediate warehouse

ADDITIONAL DOCUMENTATION, SYSTEMS AND FEES

SCENARIO

THE UK AND EU DO NOT OPERATE WITH THE SAME ADMINISTRATIVE AND REGULATORY REGIME, REQUIRING ADDITIONAL DOCUMENTATION, VETERINARY CONTROLS AND CERTIFICATIONS.

IMPLICATIONS

Possible increase in fees and systems requirements, potentially leading to an investment in new IT systems. These issues are heightened where mixed pallets or groupage loads are processed, as documentation for individual consignments and products may be required.

The additional costs for a vehicle to be processed will depend upon the complexity of the load being carried. As an estimated guide, current fees for customs clearance range from €40 - €50 for simple loads but could be higher for loads with multiple consignments and products.

CONTINGENCY OPTIONS

- Consider new routes to reaching European and international markets
- Improve processes and systems

TARIFFS ON UK IMPORTS

SCENARIO

THE UK AND EU DO NOT OPERATE THE SAME TARIFF FRAMEWORK.

IMPLICATIONS

New tariffs are introduced on exports to and imports from the UK.

The impact of a change in tariffs would be that the products being exported from Ireland to the UK would be more costly when compared with home produced equivalents or imports from other countries. If the UK were to replicate the EU's Most Favoured Nation (MFN) tariffs they would be significant for a wide range of products: Dairy (35%), Confectionery (21%), Beverages (19%), Animal products (17%), Cereals (16%) and Fish (11%). Tariffs would also be applied to finished products and raw materials exported from the UK to Ireland.

With this extreme scenario, Irish producers would need to review both their manufacturing sourcing options and their target markets. This would change the volume of product being exported by individual companies to the UK.

CONTINGENCY OPTIONS

- Expand exports to other European and international markets
- Hold stock at intermediate warehouses

UNFAVOURABLE EURO: GBP EXCHANGE RATE

SCENARIO

THE EXCHANGE RATE BETWEEN EUROS AND STERLING REMAINS AT A LOW LEVEL OR DECLINES FURTHER.

IMPLICATIONS

The price of Irish goods are high compared to UK home produced equivalents.

At the time of the UK announcing the European Referendum Act in June 2015 the exchange rate was £0.74 to the Euro. On the announcement of the result of the referendum the exchange rate increased to £0.81 to the Euro. Since the referendum the exchange rate has been volatile, following EU and UK negotiations, and at the end of 2017 was £0.88 to the Euro. Projections for the future are dependent upon the final results of the negotiations and the timescales for implementation. Current forecasts for 2018 are of the order of £0.86 to the Euro. Ongoing, the exchange rate will reflect the relative strengths of the UK and EU economies.

CONTINGENCY OPTIONS

- Expand exports to other European and international markets
- Hold stock at intermediate warehouses

UK IMPOSES CABOTAGE RESTRICTIONS

SCENARIO

THE UK IMPOSES RESTRICTIONS ON CABOTAGE FOR EU HAULIERS.

IMPLICATIONS

Cabotage rules currently allow non UK transport companies to undertake collection and delivery operations within the UK. Cabotage is seen by many in the UK logistics industry as reducing the quality of operations and putting downward pressure on charge rates and drivers' earnings. The argument is that, although this might lead to lower prices in the short term, these factors make it difficult for UK transport companies to recruit drivers. Irish hauliers could be impacted if, post Brexit, the UK seeks to reduce the level of cabotage with the transport industry, which may lead to an increase in transport prices to the UK.

CONTINGENCY OPTIONS

- Review implications with existing LSPs
- Identify alternative LSPs

6. GUIDE TO LOGISTICS SERVICE PROVIDER SELECTION



As diversification opportunities for Irish exporters increase, the need for efficient and cost effective logistics services will grow. The landscape of the LSP market is continuously changing through strategic alliances and mergers. The scope of services is evolving with the developments of multi-modal and containerisation and the blurring of roles of LSPs and freight forwarders in managing international transport. It is likely that exporters will seek a range of services and will be less reliant upon their local incumbent provider. This section provides a framework for selecting LSPs and managing successful ongoing relationships.

WHY OUTSOURCE INTERNATIONAL LOGISTICS?

Outsourcing logistics services allows producers and manufacturers to focus on their core business, removes the need to invest in assets such as vehicles and warehouses and can improve the efficiency of small delivery volumes. Many companies find it economic to run their own domestic logistics services and this can provide interaction with the final customer. Internationally, however, the challenge to fill vehicles, manage drivers and find backhaul routes is much more acute, and the benefits of outsourcing are greater. LSPs will face similar challenges if working in an unfamiliar market or route. Finding the right partner or partners as business changes is therefore critical.

LOGISTICS SERVICE PROVIDERS – WHAT TYPE OF SERVICE IS REQUIRED?

The table below describes the different services offered by LSPs and freight forwarders. Different providers tend to specialise in different services, and as logistics costs are related to efficiency and achieving a critical utilisation, it is worth finding the right profile of provider to match requirements.

In addition to the services listed below there are also specialist services such as:

- Hanging meat distribution
- Transport of fish and seafood (including Vivier)
- Live animal transport
- Container transport for short sea routes to Continental Europe

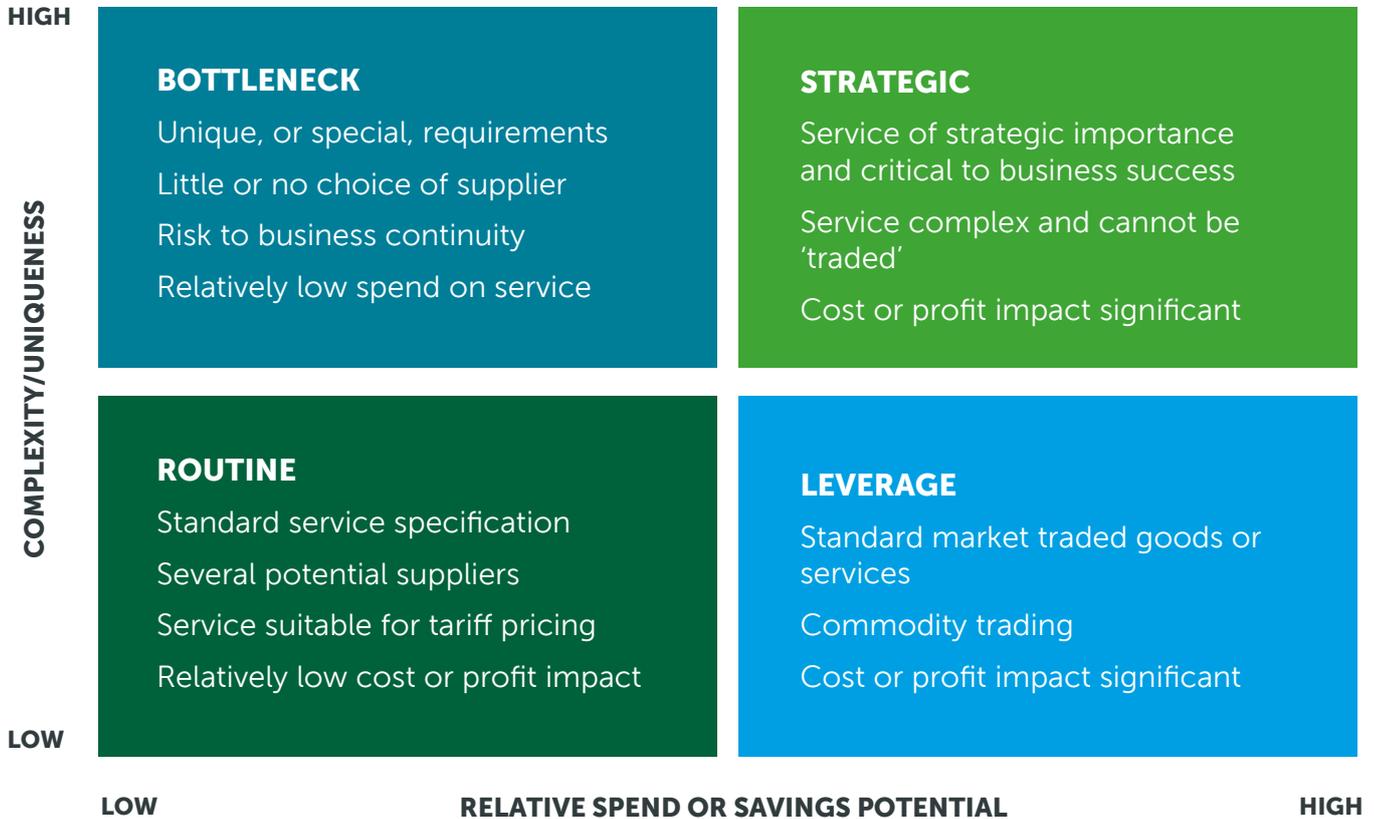
THE IMPORTANCE OF “GROUPAGE” SERVICES

Exporters with high volumes can expect competitive rates from a range of LSPs. For smaller exporters with less than full load (LTL) shipments, picking the right partner and the right route requires more research and care. After Brexit, groupage loads to the UK may require significantly more complex customs related administration than full loads. Having a provider with competency in this area will be important. It may be worth considering other supply chain fulfilment strategies such as stock holding in the EU mainland or UK, whichever is the destination market.

SERVICE CATEGORY	SPECIFIC SERVICE	DESCRIPTION	WHEN TO USE
FREIGHT FORWARDING	Shipping and customs processes	Freight forwarders act as intermediaries between shippers (e.g. exporters) and the carriers (road transport, sea freight, rail, air freight services). They do not physically transport the goods themselves but have long term relationships with carriers. They can organise FTL, LTL and container services. They have expertise in customs processes and carry these out on behalf of their clients.	For one off shipments, irregular or small volumes, non-palletised goods and/or global exports
TRANSPORT SERVICES	Full truck load or FTL transport; international haulage	In this type of transport, the entire trailer or container movement is contracted by a single customer, normally from a single source location to a single destination. On arrival at the destination the load may be broken up into individual consignments for onward distribution, which is usually part of a different service. FTL movements can be multimodal, i.e. have road/sea/road or road/rail/road movements. The principal LSP may subcontract part, or all, of the journey to a subcontractor.	Regular full truck movements, particularly in Europe
	Groupage or LTL transport	This service provides a solution for companies wishing to ship smaller quantities (usually palletised) to a specific location.	Smaller volumes of goods that can be transhipped
	Container transport	Used for transporting larger volumes over longer distances. Usually takes longer than road transport but can be less expensive. Goods may be packed in bulk rather than palletised.	Large volumes over long distances
	Parcel services	Similar to groupage services but for smaller items. Important for samples.	Very small volumes
WAREHOUSING SERVICES	Storage and handling	Involves the holding of stock for more than 24 hours, reporting on stock held by SKU and the despatching of stock based on orders	Non-perishable goods
	Bonded warehouse	A bonded warehouse is a building or other secured area in which goods that are liable for import duty or VAT may be stored or manipulated without payment of duty. This allows the payment of duty to be deferred.	Goods imported into a trade area or liable for a specific duty
	Tempering	The service of bringing frozen products to chill temperature prior to despatch (in controlled conditions to prevent condensation or product damage)	Goods shipped frozen (to extend life) but sold chilled
	Picking	Breaking down bulk pallets or stock into specific orders, typically for the final customer	Local call off required
	Customs declarations	Warehousing services can include customs processes on behalf of the shipper for products despatched from their location	In Ireland or in continental warehouse
VALUE ADD SERVICES	Customisation	Labelling, co-packing	Local customisation; local language labelling

SERVICE CATEGORISATION

The strategies that procurement departments employ vary according to the relative importance of the purchase decision and the size of the population of potential suppliers in the marketplace. Different types of services and goods procured are often categorised using a matrix (known as a Kraljic matrix) as shown below:



The strategies and activities that a company might employ in procuring the various logistics services would be determined by where they fitted into the matrix:

- **Routine:** standard services with a choice of suppliers and a clear specification (e.g. an FTL service from Ireland to the UK). Most logistics services will fall into this category, and the aim should be to simplify specifications and identify suppliers so that the required logistics services are in this category. Appropriate actions for this type of purchase would be:
 - Identifying alternative suppliers
 - Running tenders to select suppliers
 - Comparing standard rate cards from suppliers and setting up tariff based contracts
 - Simple, time minimising, management of contracts
 - Consider placing multiple routes with the same supplier to minimise management time
 - Reassessing the market and tendering again every one to three years

- **Bottleneck:** specialist services with a limited choice of suppliers but relatively low spends or cost saving opportunity (e.g. some Groupage services to low volume destinations or specialist services such as Vivier transport). Where possible, creating Bottleneck services should be avoided. Appropriate actions for this type of purchase would be:
 - Securing supply by ensuring appropriate contracts with the supplier
 - Looking at alternative formats or solutions to increase choice or reduce dependency
 - Seek alternative suppliers
 - Perform due diligence on LSP to ensure they are stable and able to supply the service
- **Strategic:** every company will have a small number of supplier relationships that will be critical to the business' development and have the potential for significant cost or profit impact. For many SME companies, no logistics services will fall into this category. An example might be a strategic European hub

with picking services, which cannot be easily moved to a new supplier. Strategic services require considerable investment on both sides and should be kept to a minimum. Appropriate actions for this type of purchase would be:

- Senior management engagement with the supplier
- Joint improvement or development plans
- Focus on Supplier Relationship Management with regular face to face meetings
- Joint investment to access new opportunities
- **Leverage:** standard goods and services which can be traded or tendered but have high cost saving potential are classified as Leverage. Commodities such as fuel are examples of this type of purchase. It is unlikely that SME companies have many Leverage logistics services.



STEP 1

IDENTIFY THE BUSINESS REQUIREMENTS

Finding the right logistics partner is critical to establishing a successful export business. Before asking for quotes, or starting to search for an LSP, exporters should ask themselves the questions below. Even those who have been exporting for many years should run through these questions periodically:

- What are the key export markets? How might these change in the future?
- What will the impact of Brexit be on exports – are the incumbent LSPs or current routes vulnerable to a hard Brexit?
- Should consideration be given to holding strategic stock in certain markets to reduce fulfilment time?
- How large will consignment sizes be? What will be the required mix of full vehicles and groupage services?
- What constraints, such as shelf life or customer ordering patterns, might determine the frequency and load size?
- What are the time constraints on deliveries? Does this influence the choice of mode of transport, for example road, sea or air?
- Is there clear visibility of the routes the exports take and the transport partners the provider uses?
- Is there technology available in the marketplace that would provide benefits?
- What type of service is being sought: Routine, Bottleneck, Strategic or even Leverage (see above)?

STEP 2

GET THE DATA

Any quotation received from one or more LSPs will be more accurate and is likely to be more competitive if the data provided is complete and credible. This does not mean that LSPs expect the business to remain the same as it is now, but costing is easier if today's profile is shared along with how it is expected to change in the future. A template for data collection is attached in Appendix 3 but typically the following information should be provided to potential service providers:

- Product or category description (e.g. Fish, cheese, meat, alcohol)
- Ship from address, showing where the goods will be collected from
- Destination markets and delivery addresses including local postcodes
- Annual volumes by destination in logistics units (pallets if palletised, tonnes if moving in bulk, cases if moving in parcels)
- Average or target shipment size
- Frequency of shipments or any specific shipment timing requirements
- Any seasonal variations in volume or delivery frequency
- Temperature regime, such as ambient, chill, frozen
- Stock holding requirements
- Accreditation or licence requirements
- Value of the product (for insurance purposes)
- Any special requirements such as bonded warehouses

STEP 3

SEARCH FOR AND COMPARE SUPPLIERS

Many exporters use the same LSP year after year while others rely on local companies to carry out their export services. Although both of these approaches may be good solutions, it is always worth looking at alternative providers periodically, particularly at times of change to the business or within the market. Existing or local LSPs may not provide competitive services to new, more distant markets. Identifying alternative suppliers is important in avoiding Bottleneck services.

An extensive list of alternative LSPs may be found on the Bord Bia website, where they can be searched for by destination market, temperature regime and type of service. It is also worth getting in touch with Bord Bia's local offices in the target markets.

The objective of the search should be to draw up a shortlist of companies to approach in order to ask them for a Request for Pricing (RFP) or a Request for Information (RFI). The criteria for selection on to a shortlist could include:

- Personal recommendation from a trusted source
- A website that gives a clear list of services offered, including markets served and types of services offered
- Responsiveness to any initial contact, whether a call or email or web enquiry
- Relevant accreditations
- Membership of relevant trade bodies

STEP 4

GET PRICES AND PROPOSALS

For LSP sourcing decisions it is sensible to go through a two-stage procurement process:

(1) Request for Information (RFI) to understand the supply market better and to get more information on potential LSPs in order to reduce the number of companies at RFP stage.

(2) Request for Pricing (RFP) to obtain firm pricing and agree terms and conditions. In order to get firm pricing data on the required service, the exporter will need to provide volumes, frequency and products.

Many companies will want to go straight to the RFP stage, which makes sense for SME exporters, who might not get a good response to an RFI.

For both processes it is important to ask all of the shortlisted LSPs to respond to the same set of questions and receive the same data on the services required. Large buyers of routine logistics services may use online platforms to facilitate data collection from providers and competitive bidding on routes. Most companies, however, will use Word templates and Excel spreadsheets to gather responses. Template examples of RFP and RFI documents in these formats are given in Appendices 4 and 5.

Whatever method is used, it is important to agree the procurement process and the selection criteria internally before starting, and then communicate it to the LSPs. It is important that there is clarity on the terms under which any pricing is offered. Most export movements to continental Europe will be covered by CMR convention (see Glossary), which sets limits to liability and the carrier's responsibilities. Movements that transit the UK are covered by CMR. Movements to the UK only are not typically covered by CMR and Irish Road Haulage Conditions of Carriage (www.rha.uk.net/membership/member-benefits/conditions-of-carriage-and-storage) may be quoted instead, or other terms and conditions proposed. In this case it is important when comparing bids to ensure that terms and conditions are compared as well as price.

Exporters should take particular care regarding the terms of the LSP's Goods in Transit insurance levels, to ensure that the value of goods covered is adequate in case of loss and that the use of sub-contractors does not invalidate the prime LSP's liability and responsibility for the services.

Use of bonded warehouse services should also be treated with care. LSPs must be able to provide details of their registration with the relevant local country tax authority and be clear as to which jurisdiction they will hold bonded stock.

STEP 5

DISCUSS, NEGOTIATE, SELECT

The selection process for logistics services must vary depending on the importance to the business. If a company is being selected to deliver goods regularly to a key export market it is important to meet with them and allow time to discuss the service and contract in order to decide whether they are the ideal partner.

Even for Routine services, don't focus too much on price, although it is important. Also look at aspects such as the supplier's responsiveness, lead times, frequency routes are operated, their groupage capability, load security and subcontracting processes. The objective should be to achieve best value rather than lowest cost.

When procuring a strategic service, relationship and long term performance and alignment will be particularly important.

It is crucial to understand the network of partners and sub-contractors that the potential LSP plans to use. Careful use of partners and sub-contractors can improve efficiency and therefore cost competitiveness, but the LSP needs to ensure that the integrity of the products (e.g. cool chain, visibility) will be maintained and that they have adequate contracts and checks on insurance with their sub-contractors.

Smaller LSPs can be more competitive in certain countries and are less so in others. It is therefore important to undertake a separate selection process for each country.

A checklist of selection criteria is included in Appendix 2.

STEP 6**CONTRACT AND IMPLEMENTATION**

Having selected the preferred partner, the written contract for services should stipulate KPIs such as pricing, terms and conditions and standards of performance (such as agreed transit time). This will be a longer and more complex document for strategic services than for routine ones.

A shared implementation plan and action list should be drawn up by both parties. This may range from a short list of communication steps to a complex plan over several months where specialist equipment or new processes are required. Even the simplest plan should include the following:

- Agreeing and signing the contract for services
- Giving notice to any incumbent suppliers
- Exchanging precise ship-from and ship-to details
- Agreeing how orders are transmitted to the new supplier
- Agreeing the Service Level Agreements (SLAs) that define the standards expected in the contract, e.g. transit times, collection on time performance, acceptable stock losses (for warehousing contracts)
- Management reporting requirements (if not laid out in RFP) including KPI reporting that the supplier should provide
- Setting up the LSP in the accounts system
- Checking accreditation, examine equipment as part of HACCP controls
- Agreeing account management and operational contacts
- Agreeing frequency of meetings during the first three months and subsequently
- Loading and transit trials if required

STEP 7**REVIEW PERFORMANCE AND BUILD THE RELATIONSHIP**

Once operational it is important to follow the management reporting and meeting schedule that was agreed in the implementation phase. Meetings don't need to be face to face but some form of quarterly review of performance, challenges and sharing of plans is important. This builds the relationship and is something that will help both parties if there are operational challenges in the future.

The regular reviews should include a review of the KPIs which were set for the contract (see Appendix 6 for possible KPIs) and whether these meet the agreed or specified levels. Where there are issues these should be discussed and a joint action plan agreed.

When undertaking a subsequent tender for the services it should be based upon a good understanding of how the current provider has been performing. Testing the market periodically is a healthy process and should ensure that the right partners are employed over the long term.

GUIDANCE ON BREXIT PREPARATION – WHAT TO LOOK FOR IN AN LSP?

Even when industry receives clarity on the trading relationship between the EU and UK post-Brexit, exporters can increase their options and resilience through working with LSPs that have the following capabilities:

- AEO accreditation – this is the easiest way to judge whether the LSP is preparing for Brexit and is likely to be a vital requirement going forward.
- The LSP demonstrates an awareness of the issues and risks related to Brexit and has plans developed to cover these risks.
- Customs experience and capability – ideally already have systems in use for Norway and non-EU markets.
- Either extensive operations in the target export markets or a strong network of partners that can be used if the requirements change, including:
 - Warehousing operations (with capability in the relevant temperature regimes) in or near the target markets or at strategic ports in the EU
 - Transshipment hubs relevant for the target market
- A range of established routes to the target markets and a clear understanding of how these might need to change with Brexit.
- Good relationships with the major shipping lines including those with direct continental routes.

7. CONCLUSIONS AND RECOMMENDATIONS FOR EXPORTERS



The contents of the Guide highlight that although Brexit may force the pace of change, exporting to new European and international markets requires considerable focus in order to identify appropriate supply chain strategies, implement new systems, recruit or train staff and select ideal logistics partners.

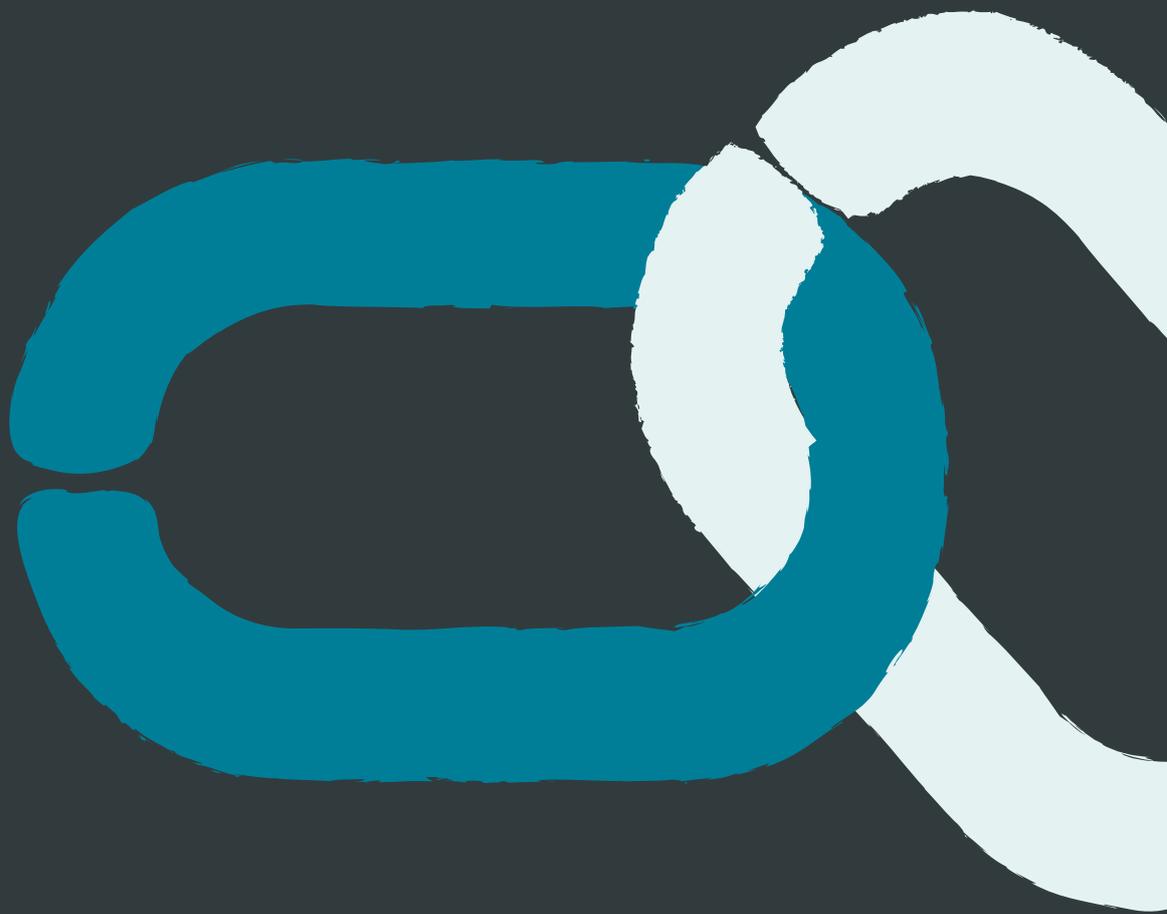
Although the specific requirements of individual exporters will vary, recommendations include:

- **Prioritisation** – due to resource constraints, it may not be feasible to undertake more than one or two projects at a time. Each project, once identified, should be evaluated in terms of its resource requirement, cost, timescale and likely benefit. The projects should then be ranked in terms of benefits and costs.
- **Project Manager** – with an abundance of potential projects, it is important that an internal project manager is identified or recruited.
- **Recruitment and Training** – international exporting requires companies to have in-house resources that are competent in dealing with the supply chain processes, systems and partner relationships.
- **Market Data** – in order to enable the evaluation of supply chain trade-offs, it will be necessary to gather indicative prices and market data.
- **Agents and Distributors** – as part of the marketing and logistics mix, the role of agents and distributors in the target local markets needs to be reviewed.
- **LSP Resources** – it is important to understand the role of individual LSPs in the supply chain and to identify those that are most likely to provide the current and future services required. It is then possible to discuss opportunities and to provide indicative costs for scenario evaluation.
- **AEO Certification** – achieving AEO status should be a priority for any company wishing to export on an international basis and as a contingency for future business to the UK. Ensuring that supply chain partners are also certified is crucial.

- **System Selection** – identify the requirements for any new supply chain systems and where possible select standard market leading options that will provide the important interfaces to supply chain partners' and Revenue systems.
- **LSP Selection** – follow the process described in this Guide to ensure a thorough assessment of the LSP options available and to make judgements against appropriate criteria.
- **Establish KPIs** – monitoring the performance of the selected LSPs will aid the management process and provide a benchmark and template for future tenders.
- **External Resources** – consider employing external resources, with data collection, visualisation and modelling capability, to undertake more complex analysis of supply chain design options
- **External Benchmarking** – consider external resources to undertake benchmarking of the supply chain performance and costs.
- **Co-opetition** – sharing ideas and resources, which are not commercially sensitive, with other exporting companies can be advantageous. Consider identifying appropriate companies to discuss collaboration opportunities.

Bord Bia has implemented an online database of LSPs' services that are both International (between Ireland and major European countries) and National (within each of the major European countries). This is an invaluable source of information for researching the LSP marketplace and is available at www.bordbia.ie.

APPENDICES



APPENDIX 1 CURRENT FERRY CROSSINGS

FROM	TO	TRANSIT TIME	OPERATORS	FREQUENCY	MIX OF TYPE	COMMENTS
DUBLIN	Holyhead	3hrs 30mins	Stena Irish ferries	All year round, 4 sailings per day All year round, 4 sailings per day	Passengers & Freight	More accompanied
	Liverpool	8hrs	P&O Irish Sea	All year round – 2 sailings per day	Passengers & Freight	More accompanied
	Liverpool	8hrs	Seatruck	10 per week	Freight	Unaccompanied
	Heysham	8hrs	Seatruck	7 per week	Freight	Unaccompanied
	Cherbourg, France	19hrs	Irish Ferries	Seasonal but all year, varies by month, see Notes.	Passengers & Freight	
	Zeebrugge, Belgium	36hrs	CLdN	4 sailings per week	Freight	
	Rotterdam, NL	2days 1hr	CLdN	5 sailings per week, 2 LOLO only (containers)	Freight	ConRo, containers
	Hirtshals, Denmark	4days 1hr	CLdN	1 sailing per week	Freight	
	Gotenburg, Sweden	3 Days 9hrs	CLdN	3 sailings per week	Freight	
	Esbjerg, Denmark	3days 9hrs	CLdN	1 sailing per week	Freight	
	Lexioes, Portugal	2days 12hrs	CLdN	2 sailings per week	Freight	
ROSSLARE	Pembroke	4hrs	Irish Ferries	All year round, 2 sailings per day	Passengers & Freight	
	Fishguard	3hrs 15mins	Stena	All year round, 14 sailings per week	Passengers & Freight	
	Roscoff, France	16hrs 30mins	Irish Ferries	Some seasonality, 1 sailing per week	Passengers & Freight	
	Cherbourg, France	18hrs 30mins	Stena Irish ferries	All year round, 3 sailings per week	Passengers & Freight	
CORK	Roscoff	14hrs	Brittany Ferries	2 sailings per week, March to October only	Passengers & Freight	
	Santander	26hrs	Brittany Ferries	2 sailings per week, March to November only	Passengers & Freight	
BELFAST	Cairnryan	2hrs 22mins	Stena	All year round, 5 sailings per day	Passengers & Freight	More accompanied
	Liverpool	8hrs	Stena	All year round, 13 sailings per week	Passengers & Freight	More unaccompanied
	Heysham, Lancs	8hrs	Stena	All year round. 12 sailings per week.	Freight	No LOLO
WARREN POINT	Heysham, Lancs	8hrs	Seatruck	All year round. 11 sailings per week	Freight	Unaccompanied (12 berths only)

APPENDIX 2 LOGISTICS SERVICE PROVIDER SELECTION CRITERIA

The criteria in the table below are examples that can be used to support the selection of a logistics service provider. Some of these will be non-negotiable and if an LSP is not capable of meeting the criteria they would not be considered. The criteria will need to be balanced against each other (see below) and the relative importance of each one will vary by type of service (e.g. Routine, Strategic) and by a client's business. For example, a fresh seafood exporter will place more emphasis on transit time and reliability than a powdered milk supplier.

This list is designed to give ideas for exporters to select their own, relevant criteria.

CRITERIA	NOTES
TRANSIT TIME	How long is the transit time to the target market? Is this reliable or seasonal? Will this leave enough shelf life on the product?
SCHEDULE AND FREQUENCY OF DELIVERIES	Are the frequencies of the deliveries sufficient? Will they be enough if the business expands?
ROUTES	Are the routes suitable and fast enough?
ESTIMATED COST OF THE SERVICE	Ensure that price comparisons are made based on the likely load size. Include any extra charges or over-riders.
SUITABILITY OF SHIPPING METHOD	Is the LSP sending accompanied or unaccompanied loads or containers? Is this right for the business?
MARKET EXPERTISE	Does the LSP understand the destination market? Have they worked there for a long time?
USE OF SUBCONTRACTORS OR PARTNERS	May provide efficiencies but could be issues with liabilities if stock is lost or damaged
WAREHOUSING SERVICES AVAILABLE	Can the LSP offer warehousing? Will it be required in the future if not now?
PERSONAL RELATIONSHIP OR FIT	What is the culture of the LSP? Are they responsive and easy to deal with?
REFERENCES	Follow up on references given
OTHER CUSTOMERS SERVED	Credible list of customers? Are any of them known?
LENGTH OF TIME COMPANY HAS BEEN OPERATIONAL IN MARKETS OR ROUTES REQUIRED	Does the company have a long history of working on these routes?
FINANCIAL STATUS	From financial searches
ACCREDITATIONS	Do they have the right accreditations to meet requirements?
TERMS AND CONDITIONS	Have they accepted the contract and terms? Are they insuring the goods for sufficient value?
KPI ACCEPTANCE	Will they provide management reports and KPI reporting?
BREXIT READY	Are they aware of the risks associated with Brexit? Do they have AEO status? Are they looking at other routes?

Where exporters have a choice between several suppliers a Balanced Scorecard can be used to provide a systematic review of the relative strengths of the different LSPs. With this approach, a few criteria are selected and weighted for their importance. Each LSP is then scored against each criteria to identify the best supplier. This approach is recommended for Strategic services.

APPENDIX 3 DATA COLLECTION TEMPLATE FOR LOGISTICS SERVICE CONTRACTS

SHIPPER'S BASE DATA

The data collected in the table below is normally common to all destination markets and delivery addresses

SHIPPER'S COMPANY NAME	
ADDRESS	
MAIN CONTACT - NAME	
EMAIL	
TELEPHONE NUMBER	
DESCRIPTION OF PRODUCT(S)	
TEMPERATURE REQUIREMENT	Frozen/Ambient/Chill
LOGISTICS SERVICE REQUIRED	FTL/Groupage/Parcel/other If other, specify here:
PRODUCT VALUE	In Euros; replacement or cost value to establish insurance requirements
PRODUCT FORMAT	Palletised/ Non-palletised If non-palletised specify format:
PRODUCT AVERAGE WEIGHT	Kg per Specify unit of carriage e.g. per pallet; per container, per case
SHIP FROM ADDRESS (IN IRELAND):	
ACCREDITATIONS REQUIRED FROM LSP:	
OTHER PRODUCT OR SERVICE RELATED REQUIREMENTS	

APPENDIX 4 REQUEST FOR INFORMATION (RFI) EXAMPLE

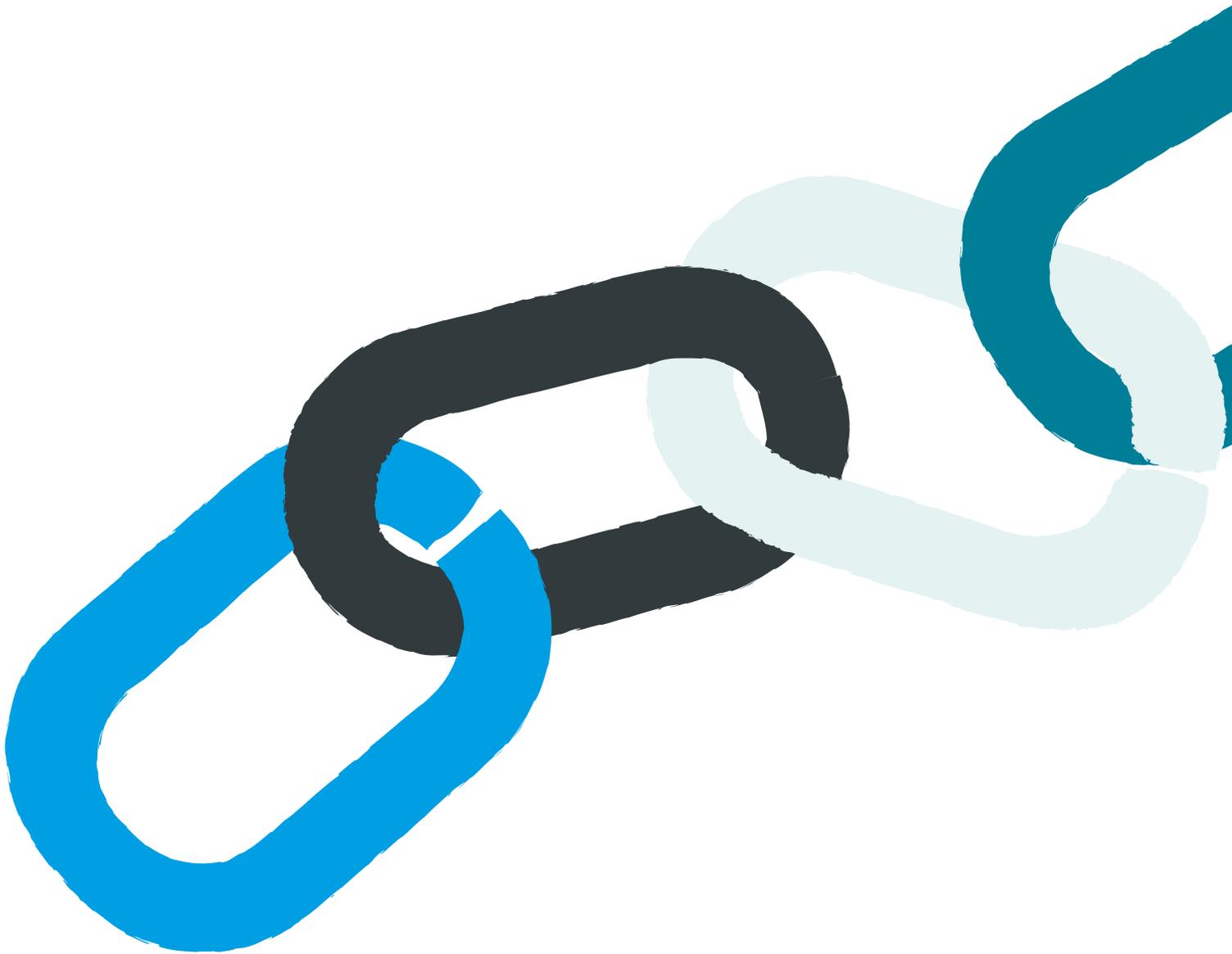
A RFI will vary depend on the services required. The example below is for a company seeking a mixture of services under different temperature regimes.

LSP'S COMPANY NAME							
ADDRESS							
MAIN CONTACT - NAME							
EMAIL							
TELEPHONE NUMBER							
MAIN LOGISTICS SERVICES OFFERED BY YOUR COMPANY	Please specify whether you provide FTL, LTL or parcel services						
SPECIALIST SERVICES	Please specify any specialist services you provide for food and food related goods						
TEMPERATURE CAPABILITY	Frozen	Yes/No	Chill	Yes/No	Ambient	Yes/No	Yes/No
EXPORT MARKETS SERVICED BY YOUR COMPANY FROM IRELAND	Please list the countries here and the routes you use (e.g. ports and sailing routes):						
MARKETS WHERE YOU, OR YOUR PARTNERS, CAN PROVIDE WAREHOUSING SERVICES	Please list the countries here and the temperature regimes of the warehousing						
TRANSIT TIMES AND SCHEDULED SERVICES	For the following markets please provide your standard transit times and days of the week you run this service:						
	Market 1	Service	Market 2	Service	Market 3	Service	Service
CUSTOMS CAPABILITY	Please give details of the customs related services you can provide:						
ACCREDITATIONS - PLEASE PROVIDE DETAILS OF THE ACCREDITATIONS YOU HAVE	Authorised Economic Operator BRC (Food Safety Certification - Storage & Distribution Standard) ISO 9001:2015 (Quality Control & Management) ISO 14001 (Environmental Management System) OHSAS 18001 (Health and Safety Certification) Licensed bonded warehouse details						
OTHER COMMENTS	Please use this area to provide any further details you believe are relevant:						

APPENDIX 5 REQUEST FOR PRICING (RFP) EXAMPLE

In the RFP example on the next page there is some gathering of broader information as well as a request for groupage pricing for three markets. This would be a normal approach if there was not an earlier RFI. It is also assumed that the RFP request is accompanied by data on the typical volumes for each destination and other relevant data.

For many Routine services, such as groupage movements to common destinations, suppliers will provide standard rate cards. For full load and warehousing or other services they will quote as part of the RFP process. In this case it is good practice to provide a template for pricing so that all responses are provided in the same format. It is also good practice to use a general template, such as the example below, to capture all the non-financial data required.



GENERAL (NON-PRICE) RFP TEMPLATE

LSP'S COMPANY NAME							
ADDRESS							
MAIN CONTACT – NAME							
EMAIL							
TELEPHONE NUMBER							
MAIN LOGISTICS SERVICES OFFERED BY YOUR COMPANY	Please specify whether you provide FTL, LTL or parcel services						
HOW LONG HAS YOUR COMPANY BEEN PROVIDING THESE SERVICES							
MAIN EXPORT MARKETS SERVICED BY YOUR COMPANY FROM IRELAND	Please list the countries here and the routes you use (e.g. ports and sailing routes):						
TEMPERATURE CAPABILITY	Frozen	Yes/No	Chill	Yes/No	Ambient	Yes/No	
FOR THE SERVICE SPECIFIED IN THE RFP PLEASE PROVIDE A MATRIX SHOWING COST VERSUS LOAD SIZE FOR EACH OF THE DESTINATIONS SPECIFIED OR COMPLETE THE ATTACHED PRICING TEMPLATE	Please state here your assumptions for the prices provided						
TRANSIT TIMES AND SCHEDULED SERVICES	For the following markets please provide your standard transit times and days of the week you run this service:						
IF YOU USE PARTNERS OR SUBCONTRACTORS FOR ANY OF THESE MARKETS PLEASE STATE THE NAME OF THE COMPANY HERE	Market 1	Service	Market 2	Service	Market 3	Service	
	Partner or subcontractor for Market 1		Partner or subcontractor for Market 2		Partner or subcontractor for Market 3		
FOR ANY PARTNERS/SUBCONTRACTORS LISTED ABOVE PLEASE SAY HOW LONG YOU HAVE WORKED WITH THIS COMPANY							

<p>LIABILITY FOR NEGLIGENT LOSSES</p>	<p>If you work with subcontractors or partners please confirm that you accept liability for the negligent loss or damage of any goods by your subcontractors or partners. Please state any limits to this liability.</p>										
<p>PLEASE CONFIRM THAT YOU ACCEPT LIABILITY FOR THE GOODS TO THE VALUE STATED IN THE RFP DOCUMENT</p>											
<p>PLEASE CONFIRM YOU ACCEPT THE CONDITIONS OF CARRIAGE SENT WITH THE RFP</p>	<p>Please confirm you accept the required terms or state the terms under which your prices apply</p>										
<p>CUSTOMS CAPABILITY AND LICENCED BONDED WAREHOUSES</p>	<p>Please give details of the customs related services you can provide and the costs of these</p>										
<p>ACCREDITATIONS - PLEASE PROVIDE DETAILS OF THE ACCREDITATIONS YOU HAVE</p>	<table border="1"> <tr> <td data-bbox="675 925 703 1628">Authorised Economic Operator</td> <td data-bbox="675 271 703 925">Please supply your operator number</td> </tr> <tr> <td data-bbox="703 925 767 1628">BRC (Food Safety Certification - Storage & Distribution Standard)</td> <td data-bbox="703 271 767 925">Please supply the date of your last certificate and registration number</td> </tr> <tr> <td data-bbox="767 925 812 1628">ISO 9001:2015 (Quality Control & Management)</td> <td data-bbox="767 271 812 925">Please supply details</td> </tr> <tr> <td data-bbox="812 925 847 1628">ISO 14001 (Environmental Management System)</td> <td data-bbox="812 271 847 925">Please supply details</td> </tr> <tr> <td data-bbox="847 925 884 1628">OHSAS 18001 (Health and Safety Certification)</td> <td data-bbox="847 271 884 925">Please supply details</td> </tr> </table>	Authorised Economic Operator	Please supply your operator number	BRC (Food Safety Certification - Storage & Distribution Standard)	Please supply the date of your last certificate and registration number	ISO 9001:2015 (Quality Control & Management)	Please supply details	ISO 14001 (Environmental Management System)	Please supply details	OHSAS 18001 (Health and Safety Certification)	Please supply details
Authorised Economic Operator	Please supply your operator number										
BRC (Food Safety Certification - Storage & Distribution Standard)	Please supply the date of your last certificate and registration number										
ISO 9001:2015 (Quality Control & Management)	Please supply details										
ISO 14001 (Environmental Management System)	Please supply details										
OHSAS 18001 (Health and Safety Certification)	Please supply details										
<p>OTHER CUSTOMERS</p>	<p>Please list some of the customers for which you provide similar services</p>										
<p>REFERENCES – PLEASE PROVIDE 2 REFERENCES FOR WHOM YOU PROVIDE SIMILAR SERVICES</p>	<p>Reference 1: please provide the name, company and contact details:</p> <p>Reference 2: please provide the name, company and contact details:</p>										

SHIP FROM (COLLECTION) ADDRESS:	TOWN	COUNTY
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TABLE 1

DATA PROVIDED BY SHIPPER														
Ship to Address	Ship to Postal Code	Ship to Town	Ship to Country	Days of the Week	Temp Controlled?	Estimated pallets per Year (Note 1)	ANNUAL VOLUME IN PALLET (EURO PALLET)(NOTES 2 AND 3)						NOTES	
							1 pallet	2-3 pallets	4-6 pallets	7-12 pallets	13-18 pallets	19-24 pallets		25-30 pallets
Example 1	Example 1	Example 1	Example 1	M,F	NO	1000	0	0	200	800	0	0	0	BIDDERS - PLEASE REMOVE EXAMPLE WHEN BIDDING
TOTAL							1000	0	200	800	0	0	0	

TABLE 2

DATA PROVIDED BY SHIPPER																	
Ship to Address	Ship to Postal Code	Ship to Town	Ship to Country	Days of the Week	Temp Controlled ?	Estimated pallets per year (Note 1)	LSP TO COMPLETE						LSP TO COMPLETE				
							COST PER PALLET (EURO PALLET)(NOTE 2)							CALCULATED			
							1 pallet	2-3 pallets	4-6 pallets	7-12 pallets	13-18 pallets	19-24 pallets	25-30 pallets	30-33 pallets	Estimated cost per Year	Any surcharges (eg fuel)	Assumptions, if any
Example 1	Example 1	Example 1	Example 1	M,F	NO	1000			€200	€180					€184,00		
															€0		
															€0		
															€0		
TOTAL COST PER YEAR															€184,000		

WAREHOUSE SERVICES PRICING TEMPLATE

Notes to shippers:

1. Please specify what type of pallets are used.
2. Complete Table 1 to give LSPs summary of your requirements.

Notes to bidders:

1. Please complete Table 2 based on the information in Table 1 and the data provided in the RFP process.

TABLE 1

Stock Type	TO BE COMPLETED BY SHIPPER					
	Expected average pallet stock holding (1)	Expected maximum pallet stock holding	Forecast pallets in per week	Forecast cases per full pallet (inbound)	Forecast pallets out per week	Forecast cases picked per week
Ambient	0	0	0	0	0	0
Chilled	0	0	0	0	0	0
Frozen	0	0	0	0	0	0

TABLE 2

STOCK TYPE	LSP DATA	CALCULATED	LSP DATA		CALCULATED	LSP DATA		CALCULATED		LSP DATA	
	Storage charge per pallet per week	Estimated total storage charge per annum	Handling charge inbound per pallet	Handling charge outbound per pallet	Estimated total handling charge per annum	Picking charge per case	Estimated picking charge per annum	Total estimated cost per annum	Other Charges	Assumptions	
Ambient		€0.0			€0.0		€0.0	€0.0			
Chilled		€0.0			€0.0		€0.0	€0.0			
Frozen		€0.0			€0.0		€0.0	€0.0			
TOTAL		€0			€0		€0	€0			

APPENDIX 6 KPIS AND MANAGEMENT REPORTING

The table below gives a list of possible KPIs for international shipments. It is important that KPIs are relevant to a contract, measures should be chosen from the list below rather than the whole list used. Some companies may weight the KPIs in terms of importance to create a Balanced Scorecard (particularly for Strategic services) but putting the measures in place is an important first step.

KEY PERFORMANCE INDICATOR (KPI)	DESCRIPTION	CALCULATION	EXAMPLE	COMMENTS
Claims as a % of freight costs	Claims made for loss or damaged goods in a period / Freight invoice value for the same period x100	Claims made for loss or damaged goods in a period / Freight invoice value for the same period x100	Claim of €5,000 for product scragpage following a cool chain failure by the LSP. Carrier's invoice for the same period is €100,000. Period's value for this KPI is therefore 5%	Claims of relevance are those made by the company for loss of product by the LSP
Number of claims	Number of claims made as a proportion of total deliveries in the period	Number of claims in a period /number of deliveries in the same period	One claim of €5,000 is made following a cool chain failure by the LSP; during the same period 100 deliveries have been made. The % of claims is therefore 1%.	Either this KPI or the one above would be used, but not both
Transit time per route	Actual transit times	Time elapsed between collection and delivery	LSP specifies a transit time of 36 hours for a shipment to Italy. KPI reporting shows that actual transit time for this route for the reporting period* is 34.5 hours.	Needs to be per route to be meaningful
Percentage of late deliveries	Late deliveries as a % of total deliveries	Number of late deliveries/total number of deliveries	LSP makes 16 deliveries for an exporter; one of these was late. Percentage of late deliveries for the month is therefore 6.25%	The definition of on-time or late must be agreed as part of the contract. KPI could be measured for whole contract or to specific critical destinations
Percentage of late collections	Late collections as a % of total collections	Number of late collections/total number of collections	LSP collects 20 different loads from an exporter during a month; on one occasion the LSP was late. Percentage of late collections for the month is therefore 5%.	The definition of on time or late must be agreed as part of the contract, e.g. within an hour; AM/PM
Correct invoicing	Proportion of invoices completed correctly	Number of invoices completed correctly/ total invoices	Over a year a LSP presents 50 invoices to a client. Two invoices have errors on them. One invoice has several errors. Percentage of invoices without errors is 98% as it is the number of invoices with errors that counts in this example.	May be appropriate if invoice is complex with many lines. Number of invoice errors could be an alternative measure
Correct paperwork	Proportion of customs declarations or delivery notes completed correctly	Number of customs declarations completed correctly/total deliveries	There are 200 deliveries requiring customs declarations in a year and of these 4 had errors with the declarations. Proportion of notes completed correctly is therefore 98%.	May be appropriate post Brexit or on certain routes. Worth monitoring even if own responsibility not the LSPs

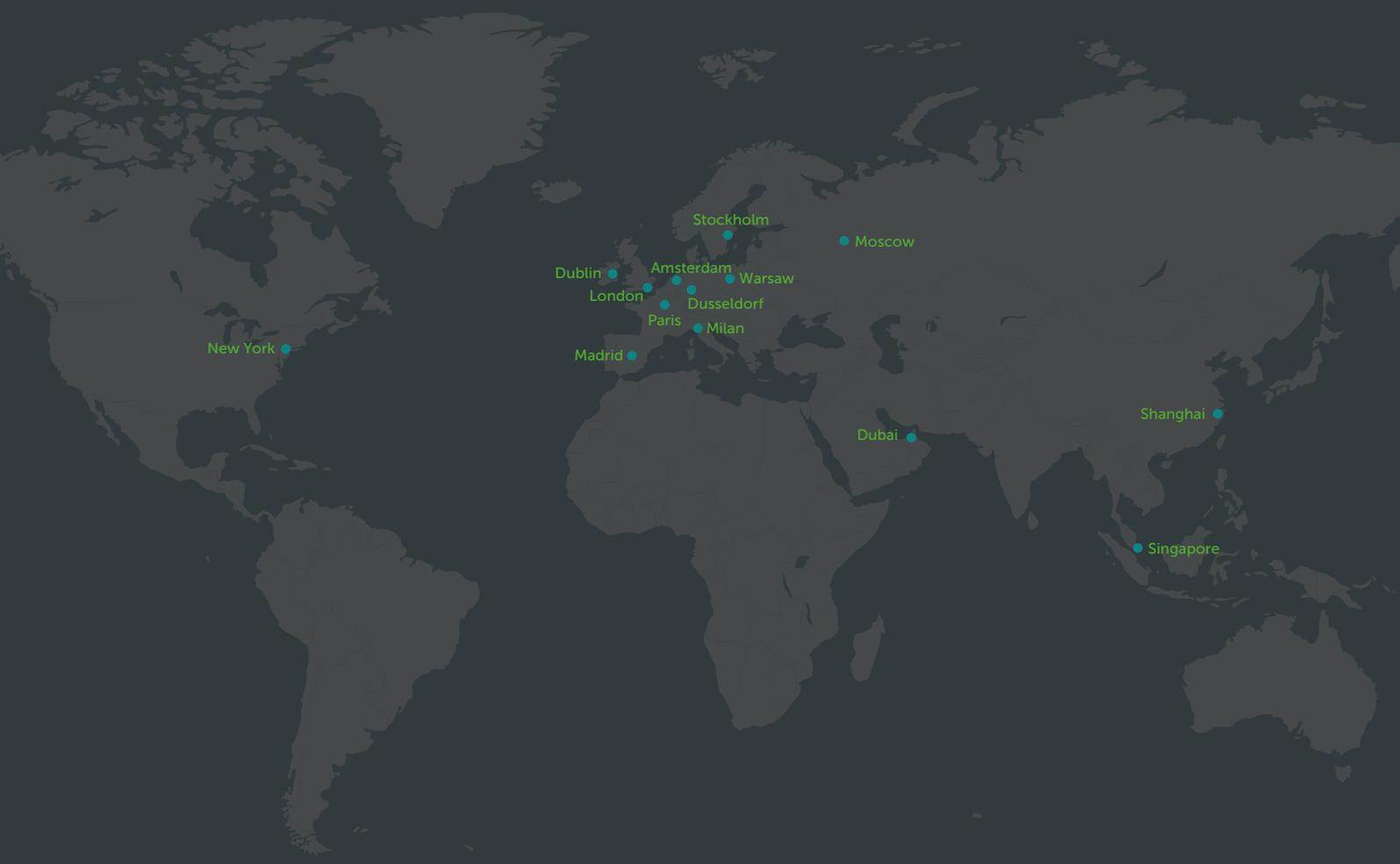
Period could be a month, quarter or other time period

APPENDIX 7 GLOSSARY OF TERMS

TERM	DEFINITION
Logistics Service Provider (LSP)	Company or entity carrying out a logistics service. Could be a third party, outsourced operation or could be the logistics arm of either the shipping company or receiving company
3rd party logistics (3PL)	Term used to describe the entity that is carrying out a logistics service but is neither the owner of the goods or the receiver of the goods, but is a third party.
Carrier	Entity 'carrying' the goods (i.e. an LSP). Term used frequently in freight forwarding and international transport operations
CMR note	The CMR consignment note is the standard contract of carriage for goods being transported internationally by road which replaces individual business' terms and conditions. CMR stands for "Convention relative au contrat de transport international de marchandises par route". It applies between any two countries where one of which is a signatory to the CMR convention. It does not typically apply between the UK and Ireland.
Bill of Lading (BoL or B/L)	A bill of lading is a document of carriage for sea freight, issued by a carrier (or his agent) to acknowledge receipt of cargo for shipment.
Airway bill (AWB)	An air waybill (AWB) is the document of carriage for air freight (also known as an air consignment note) and is issued by an international airline for goods as evidence of the contract of carriage.
Shipper	Entity requiring the shipment and normally the owner of the goods and the company contracting the LSP or freight forwarder
Cross dock or Transshipment	The process by which goods are moved from one vehicle or container to another via a stockless platform. This can be a yard but is more commonly a floor area within a warehouse where goods are briefly held and marshalled before onward shipment. This supports consolidating different products together on different legs of a journey, to keep vehicles full and shipment frequencies high. Goods are not held for more than 24 hours and are not booked into storage.
Logistics hub	Used to describe a stockless transshipment or cross dock point. Will often have warehousing or storage capability on the same site
Pallet network	A specific type of groupage operator that specialises in the movement of single or multiple pallets of goods. Pallet networks work by having strong relationships of regional hauliers to collect and deliver pallets into one or more central hubs where they are transhipped. Pallet labelling and conformance with a standard specification are key for the efficient operation of the network. The contract is typically with the pallet network group rather than with the regional haulier.
Full Truck Load (FTL)	A term used in the freight forwarding and international transport markets to designate that a shipment is equivalent to a full truck load.
Less than Truck Load (LTL)	A term used in the freight forwarding and international transport markets to designate that a shipment is less than a full truck load. An LTL shipment may be transported using a pallet network or a groupage transport service.
Groupage	A service where the LSP groups LTL loads from a number of customers together to create an economic full load shipment.
Haulier	An LSP providing road transport services
Key Performance Indicator (KPI)	A KPI is a defined and measurable value that defines how well a supplier is achieving the required service level
Service Level Agreement (SLA)	A specified and measurable level of an aspect of a service that is normally defined within a contract and agreed between both parties
RoRo	Roll On – Roll Off. Used to describe shipping operations where the vehicle drives onto and off the ferry
LoLo	Load On – Load Off. Used to describe shipping operations where containers are loaded on and off by crane
ConRo	A vessel allowing the combination of vehicle (RoRo) and container (LoLo) transport on the same ship

BREXIT ANALYSIS &
PLANNING DOCUMENT

Please note this document is part of ongoing Brexit analysis and scenario planning for input into larger Government deliberative processes. Unless explicitly referenced by Government decision, any proposal contained in this document does not represent Government policy and should not be represented as such.



www.bordbia.ie
info@bordbia.ie



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